



October 27, 2008

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington D.C. 20554

Ex Parte Written Notice

Re: *In the Matter of Developing a Unified Intercarrier Compensation Regime, CC Docket No. 01-92; Universal Service Contribution Methodology, CC Docket 96-45, and IP-Enabled Services, WC Docket 04-36.*

Dear Ms. Dortch:

Based on knowledge derived through participation in *ex parte* meetings with the Chairman, other Commissioners, and staff,¹ NTCA is writing this letter to express specific concerns related to the apparent “interconnection framework” now being considered as part of an intercarrier compensation and universal service reform order for adoption at the Commission’s November 4th Open Meeting (the “Proposed Order”).² As an initial matter, on behalf of rural consumers and companies that serve them, NTCA opposes adoption of the Proposed Order without development of an open and complete record. These interconnection matters are but one of the many important matters that are understood to be addressed in the Proposed Order about which little if any record exists.

It is NTCA’s understanding that the “interconnection framework” being considered in the Proposed Order first transitions the existing access structure, in which intrastate access rates are assessed on intrastate traffic and interstate access rates are assessed on interstate traffic, to a regime where interstate rates are assessed on all access traffic regardless of the jurisdictional nature of the call. NTCA understands that this transition is proposed to occur during the first two years following adoption of the Proposed Order. It is also our

¹ See NTCA ex parte filings in CC Docket 01-92, CC Docket 96-45, and CC Docket 04-36 filed on August 22, 2008, September 12, 2008, September 18, 2008, September 30, 2008, October 2, 2008, October 3, 2008, October 17, 2008, October 22, 2008, October 23, 2008, and October 24, 2008.

² Although no proposed order has been publicly released by the Commission, for convenient reference herein, NTCA will refer to the order under consideration by the Commission as the “Proposed Order.”

further understanding that at the end of year two, the unified access regime will transition to a 47 U.S.C. § 251(b)(5) structure where compensation will be received only for terminating traffic. At the conclusion of the ten year transition period outlined in the Proposed Order, an interconnection architecture and intercarrier compensation regime as recommended by AT&T and Verizon, also known as the “Edge Plan,” would go into effect.³

Unlike the comprehensive provisions contained in the Missoula Plan (see attached), the proposed order leaves critical interconnection issues unresolved. The Missoula Plan established clear, concrete rules that would replace the current Part 51 Rules, so as to fairly resolve most areas of dispute and reduce the costs of arbitration cases. The carriers involved in negotiating the Missoula Plan, including AT&T, had reached a compromise proposal which instituted this predictable set of rules to govern the exchange of all traffic. In addition, the Missoula Plan did contain the “Edge” concept that was substantially different and much more detailed than that recommended by AT&T and Verizon in their vague October 14 filing.

Beyond the inadequacy and lack of specificity in the proposed “Edge” structure to be put in place after year 10, the Proposed Order appears to create many short term and long term uncertainties in years 3 through 10 (“Interim Period”). For instance, the proposed interconnection framework fails to specifically define who is the originating carrier with the financial responsibility in this Interim Period. Do the access architecture and financial obligation remain as defined in current rules and is the originating access rate charged at a zero level? If this is to be the case, what is the rationale for LECs to continue to provide such originating interconnection facilities? Furthermore, how will 800 traffic be carried and compensated?

As explained in the First Report and Order⁴, reciprocal compensation for transport and termination of calls was intended for a situation in which two carriers collaborate to complete a **local** call. The local caller pays charges to the originating carrier, and the originating carrier compensates the terminating carrier for completing the call. It is incomprehensible that the local reciprocal compensation structure defined in the current rules⁵ can accommodate the interconnection of long distance carriers in either the originating or terminating portion of a call. In the access regime, the compensation

³ Two of NTCA’s member companies have filed an ex parte letter expressing their concerns about the lack of specificity and extraordinary transport burden placed on rural carriers that is associated with the recent AT&T/Verizon “Edge Proposal” filed on October 14, 2008. See Great Plains/Consolidated ex parte letter filed on October 21, 2008.

⁴ See para 1034.

⁵ 47 CFR Part 51.

Framework is characterized by multi-carrier, multi-bill local exchange carrier arrangements, points of interconnection and meet points. How can the current local interconnection rules in Part 51--which includes only transport and termination constructs for terminating traffic that is originating in the local area or Major Trading Area for CMRS carriers⁶--possibly accommodate the IXC/LEC interconnection needs that are effectuated in the access rules?

In contrast, the Missoula Plan did not contemplate elimination of originating access, and instead retained the ability for all carriers to maintain a positive originating access rate.⁷ The Missoula Plan created detailed definitions and rules for interconnection that eliminated the problems that exist with the current rules. The problems that the Missoula Plan would have solved include equivocation in the classification of traffic⁸, the assignment of financial obligations related to non-access traffic⁹, the question of the establishment of interconnection points,¹⁰ phantom traffic¹¹ and the question of financial responsibility and framework for tandem transit service.¹² The supposed “interconnection framework” that is understood to be contained in the Proposed Order under consideration by the Commission apparently has none of these attributes, either in years 3 through 10 or after the adoption of the AT&T/Verizon proposed “Edge” language. It would be dangerous for the welfare of the nation’s telecommunications network and an irresponsible disregard of the public interest for such a framework to be adopted without public comment.

The Commission’s adoption of an “interconnection framework” and transition plan that lacks specificity and creates a multitude of critical unanswered question without a proper comment cycle would also constitute a violation of the Administrative Procedures Act. The Administrative Procedures Act, codified at 5 U.S.C. § 551, *et. seq.*, requires the Commission to provide notice of a proposed rule making and the substance of the proposed rule, issue or subject involved, disclose the data upon which that rule is based and give interested parties an opportunity to provide adversarial critique of the agency proposal. If the Proposed Order is adopted, the Commission would have failed to adhere to any of these requirements. Only fragmented pieces of information about the Proposed Order have been provided through informal means (i.e. press releases and *ex parte* meetings). Moreover, without a proper iteration of the Proposed Order and any

⁶ CFR 47 part 51.701.

⁷ See Missoula Plan Section II.B.

⁸ See Missoula Plan Section II.D.

⁹ See Missoula Plan Section III. A and B.

¹⁰ See Missoula Plan Section III.C.

¹¹ See Missoula Plan Section V.

¹² See Missoula Plan Section III.D.

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corresponding rules, the parties are not able to formally issue comments, a further violation of the APA.

Pursuant to Section 1.1206 of the Commission's Rules, a copy of this letter and the attached portion of the Missoula Plan are being filed with your office.

Sincerely,
/s/ Daniel Mitchell
Daniel Mitchell
Vice President, Legal & Industry

DM:rhb
Enclosure

cc: Chairman Kevin Martin
Commissioner Jonathan Adelstein
Commissioner Michael Copps
Commissioner Robert McDowell
Commissioner Deborah Tate
Dana Shaffer
Amy Bender
Scott Deutchman
Scott Bergmann
Nicholas Alexander
Greg Orlando
Matthew Berry
Ajit Pai
Paula Silberthau
Christopher Killion
Lisa Gelb
Al Lewis
Rebekah Goodheart
Marcus Maher
Aaron Goldberg
Jay Atkinson
Randy Clark

- b. All non-ILECs will be treated as Track 1 carriers.
- 3. **Definition of Track 2 Category:** The following rules determine whether an ILEC study area falls into Track 2 for purposes of the Plan.
 - a. Price-cap CRTC study areas with less than 1 million loops are in Track 2.
 - b. Price-cap or rate-of-return CRTC study areas in which the ILEC does not qualify as a Rural Telephone Company under 47 U.S.C. § 153(37), and CRTC study areas for which a carrier has elected incentive-regulation, are in Track 2.
 - c. Rate-of-return CRTC study areas with more than 10,000 loops are in Track 2, provided the study areas are held by a carrier or parent company that also holds price-cap or non-rural study areas.
- 4. **Definition of Track 3 Category:** All CRTCs that are not in Track 2 are in Track 3. Specifically:
 - a. Rate-of-return CRTC study areas that are held by a holding company that holds no price cap or non-rural study areas are in Track 3.
 - b. Rate-of-return CRTC study areas with fewer than 10,000 loops that are held by a holding company that also holds price cap or non-rural study areas are in Track 3.
 - c. Any other rate-of-return CRTC study areas that do not fall into Track 2 are in Track 3.
- 5. In determining the number of loops in a study area, study areas that share a common host switch shall be treated as a single study area.
- 6. When an ILEC is ordered to provide service in an unserved area, it will be treated as an ILEC for that unserved area. Further, it will be in the same Track in that unserved area as it is in the study area from which it serves the unserved area.
- 7. Any Track 3 carrier may make an irrevocable election to be treated as a Track 2 or Track 1 carrier in a particular study area, and any Track 2 carrier may make an irrevocable election to be treated as a Track 1 carrier in a particular study area. *See, e.g., discussion of incentive regulation, Section VII.A.1.a.*

B. Phase Down and Unification of Intercarrier Charges for Each Track

Summary: Under the Plan, a carrier's Track classification determines the nature and pace of intercarrier compensation reform. Within each Track, carriers have some flexibility to choose among different intercarrier compensation levels. A carrier's election affects, among other things, the carrier's eligibility for the "full" or "modified" Rural Transport Rule, as described in Section II.E.3.e. The Rural Transport Rule is necessary to recognize the longstanding operational challenges faced by rural carriers in the areas they serve.

Under Tracks 1 and 2, rates for terminating traffic will converge into a single rate schedule with a single rate structure (within each of those Tracks) for all such traffic that had previously been subject to switched access charge tariffs and reciprocal compensation. (Certain exceptions for out-of-balance traffic apply, as described in Sections II.E.8 and II.E.9.) That unification will occur in three steps. Under Tracks 1 and 2, *originating* access rates will be reduced in four steps or, at a carrier's option, eliminated altogether.

The Track 3 rules are a compromise designed to balance the objective of unifying rates to the extent possible today against the goal of limiting the size of the Restructure Mechanism. Intrastate access charges will be reduced in four steps to the level of interstate access charges, but the resulting unified access charges will nonetheless remain distinct from reciprocal compensation rates unless the latter exceed interstate access charges (in which case reciprocal compensation charges will be reduced in some circumstances to match the unified terminating access rate).

As discussed above, each of these Tracks is designed as an interim mechanism pending more comprehensive FCC review. At Step 4, the Plan calls for the Commission to conduct a proceeding to consider the results of reform of rate structure and levels and to determine whether adjustments are needed.

Finally, these rules will not disturb reciprocal compensation rates established in interconnection agreements that preclude modifications in accordance with changes in the law. Rates set by State orders will, however, change pursuant to the Plan's terms. EAS agreements between Track 3 carriers and all other ILECs are unaffected by the Plan; EAS traffic between Track 1 and Track 2 carriers is treated like all other traffic under the Plan.

The details of general intercarrier compensation reform within each Track are set forth below. Specific rules for particular classes of traffic, including ISP-bound traffic, out-of-balance traffic, traffic exchanged with CMRS and other carriers, and the like, are set forth below in Sections II.D and II.E.

1. *Track 1*

a. *Terminating Rates*

- i. As discussed below, a Track 1 carrier's Step 3 unified termination rate will be \$0.0007, and its ultimate unified termination rate will be \$0.0005.
- ii. At Step 1:
 - 1) A carrier must reduce its intrastate and interstate usage-sensitive terminating access rates by one third of the difference between those rates at Step 0 and the carrier's Step 3 unified termination rate, which will be \$0.0007.
 - 2) All rates for Non-Access Traffic will remain unchanged.

- a) Even though the Edge rules set forth in Section III.B go into effect at Step 1, rates for “termination” during the transition to Step 3 will include what had previously been described as rates for “transport and termination” of such traffic. Despite this terminological change, carriers will continue to pay only for the functions (*e.g.*, end office switching, common transport, and tandem switching) performed by the terminating carrier.

iii. At Step 2:

- 1) A carrier must further reduce its intrastate and interstate usage-sensitive terminating access rates by the same amount as in Step 1.
- 2) All rates for Non-Access Traffic will remain unchanged.

iv. At Step 3:

- 1) *All* of a carrier’s usage-sensitive terminating rates will be unified, and the carrier will charge a rate of \$0.0007 for termination (as defined below in Section II.E.4) of all types of traffic.
- 2) The unified termination rate will apply to reciprocal compensation charges.

v. At Step 4, the unified rate for termination will be reduced to \$0.0005.

vi. *Dedicated Transport Rule*

- 1) At Step 3, intrastate dedicated transport provided by a terminating carrier to another carrier for interconnection between the two carriers’ Edges will be available at rates no higher than interstate dedicated transport rates. The following transition will apply:
 - a) At Step 1, carriers will reduce their intrastate dedicated transport rates by one third of the difference between those rates at Step 0 and the carriers’ interstate dedicated transport rates.
 - b) At Step 2, carriers will reduce their intrastate dedicated transport rates by an additional one third of the difference between the carriers’ intrastate dedicated transport rates at Step 0 and the carriers’ interstate dedicated transport rates.
- 2) At Step 3, the rate will be zero for dedicated transport provided by a terminating carrier *between its Edge and its own end office* for interconnection routed through the terminating carrier’s Edge location. The rates charged for that transport function will be reduced to zero in three equal steps starting in Step 1.

- 3) When a carrier is providing dedicated transport for the exchange of traffic between two other carriers (*i.e.*, indirect interconnection) in accordance with the rules discussed below in Section III.C.5, such transport will be provided at the relevant special access rate.

b. ***Originating Access Charges***

- i. At Step 0, a carrier must declare (for each study area) what its ultimate usage-sensitive originating access rates will be at the end of the carrier's originating rate transition under the Plan. The carrier's declared rates may be no higher than \$0.002 for end office switching and no higher than \$0.0025 for common transport and tandem switching.
- ii. At Steps 1 and 2 of the Plan, rates for the carrier's originating access charges will remain unchanged.
- iii. At Step 3:
 - 1) If the carrier's cumulative *terminating* access charge reductions in Steps 1 through 3 of the Plan amount to at least 75 percent of the *total* access charge reductions that the carrier expects to make under the Plan (*i.e.*, between Step 0 and Step 4 of the Plan), the carrier need not make *any* reductions to its *originating* access charges.
 - 2) If the carrier's cumulative terminating access charge reductions do *not* amount to at least 75 percent of the *total* access charge reductions that the carrier expects to make under the Plan, the carrier must make reductions to its carrier loop charges *and/or* proportionate reductions toward the ultimate rates to *all* of the following originating access charges until it meets the 75 percent threshold:
 - a) Usage-sensitive (*e.g.*, a carrier common line charge, or CCL charge) and flat-rated carrier loop charges (*e.g.*, a pre-subscribed interexchange carrier charge, or PICC);
 - b) End-office switching;
 - c) Common transport;
 - d) Tandem switching;
 - e) Direct trunk transport; and
 - f) Entrance facilities.
- iv. At Step 4:

- 1) Rates for originating end office switching, common transport, and tandem switching will be reduced to the carrier's declared ultimate originating rates, which cannot be higher than \$0.002 for end office switching or higher than \$0.0025 for common transport and tandem switching. The rates and rate structures for interstate and intrastate originating access traffic will be identical beginning at this Step.
- 2) Usage-sensitive and flat-rated carrier loop charges will be eliminated.
- 3) Intrastate rates for direct trunk transport and entrance facilities will equal interstate rates.

c. ***Minimum thresholds for access charge reductions in Steps 1 through 3***

- i. In Steps 1 through 3 of the Plan, a Track 1 carrier must make minimum *cumulative* reductions to its access charges that:
 - 1) in Step 1, amount to at least 25 percent of the *total* access charge reductions that the carrier expects to make under the Plan (*i.e.*, between Step 0 and Step 4 of the Plan);
 - 2) in Step 2, amount to at least 50 percent of the total access charge reductions that the carrier expects to make under the Plan; and
 - 3) in Step 3, amount to at least 75 percent of the total access charge reductions that the carrier expects to make under the Plan.
- ii. If the carrier's scheduled phase-down of intercarrier charges at any Step of the Plan otherwise would not result in a sufficient reduction to the carrier's access charges, the carrier must make further reductions (beyond those prescribed for that Step of the Plan) until the carrier has achieved the relevant threshold set forth above. If a carrier must make additional reductions to its access charges under this rule, it must:
 - 1) first, reduce its terminating access charges until those rates reach the unified termination rate for Step 3.
 - 2) second, if necessary, make reductions to its carrier loop charges *and/or* proportionate reductions toward the ultimate rates to *all* of the following *originating* access charges until the carrier meets the relevant threshold:
 - a) Usage-sensitive and flat-rated carrier loop charges;
 - b) End-office switching;
 - c) Common transport;
 - d) Tandem switching;

- e) Direct trunk transport; and
 - f) Entrance facilities.
- d. ***Effect of Track 1 originating rate elections on access to Restructure Mechanism dollars***
- i. At Step 0 of the Plan, each Track 1 carrier must declare (for each study area) what its ultimate originating rates will be at the end of the carrier's rate transition under the Plan. The carrier may declare ultimate rates between zero and the maximum levels specified above.
 - ii. In Steps 1 through 4, a carrier must reduce its originating and terminating rates to its ultimate rates in accordance with the phase-down rules discussed above in Sections II.B.1.a through c.
 - iii. If the Track 1 carrier complies with these rules, it may recover from increased SLCs and the Restructure Mechanism the difference between its intercarrier revenues at any given Step of the Plan and its intercarrier revenues immediately prior to the Plan's adoption, subject to line loss (in the case of price-cap carriers) and the specific procedures set forth in Sections II.C and VI.A.1.b below (discussing SLC increases and Restructure Mechanism recovery under the Plan).
 - iv. Additional reductions:
 - 1) After its Step 0 declaration of rates, the carrier may not thereafter increase its declared originating rates. Moreover, any further reductions to originating rates beyond the rates declared in Step 0 may not be recovered from the Restructure Mechanism.
 - 2) A carrier may negotiate originating or terminating rates with other carriers that differ from the carrier's declared ultimate originating rates or the ultimate termination rate specified above. However, such negotiated rate reductions may not be recovered through the Restructure Mechanism.

2. ***Track 2***

a. ***General framework***

- i. At Step 0, each Track 2 carrier must declare (for each study area) what its ultimate originating and terminating rates will be at the end of the carrier's rate transition under the Plan. As discussed below in Section II.B.2.d, all Track 2 carriers will have an opportunity at Step 4 to decrease their declared ultimate originating and/or terminating rates.

- 1) Rate-of-return carriers
 - a) Starting at Step 3 of the Plan, Track 2 rate-of-return carriers must charge *terminating* rates no higher than \$0.0105 for tandem switching and common transport and a rate of \$0.0005 for end office switching.
 - b) Starting at Step 4 of the Plan, Track 2 rate-of-return carriers must charge *originating* rates no higher than \$0.0105 for tandem switching and common transport and a rate no higher than \$0.002 for end office switching.
 - c) A rate-of-return carrier may elect to adopt the originating and terminating rate levels applicable to price-cap carriers and carriers electing incentive regulation, as discussed below. The carrier may make this election only at Step 0 or Step 4.
- 2) Price-cap carriers and carriers electing incentive regulation
 - a) Starting at Step 3 of the Plan, Track 2 price-cap and incentive-regulation carriers must charge *terminating* rates no higher than \$0.0075 for tandem switching and common transport and a rate of \$0.0005 for end office switching.
 - b) Starting at Step 4 of the Plan, Track 2 price-cap and incentive-regulation carriers must charge *originating* rates no higher than \$0.0075 for tandem switching and common transport and a rate no higher than \$0.002 for end office switching.
 - c) If a Track 2 price-cap or incentive regulation carrier elects to reduce its *originating* rates to zero, starting at Step 3 it may charge *terminating* rates no higher than \$0.0097 for tandem switching and common transport and a rate of \$0.0005 for end office switching.
- ii. At Step 4 and beyond, all Track 2 carriers will be required to charge originating tandem switching and common transport rates that are equal to or less than their terminating tandem switching and common transport rates.
- iii. Rural Transport Rule (*see* Section II.E.3.e)
 - 1) Track 2 price-cap carriers and carriers that elect incentive regulation will be entitled to the *full* Rural Transport Rule.
 - 2) Track 2 rate-of-return carriers that elect originating and terminating rates no higher than the maximum rates for Track 2 price-cap and incentive regulation carriers (as discussed above) also will be entitled to the *full* Rural Transport Rule.

- 3) Track 2 rate-of-return carriers that elect to adopt originating and/or terminating rates higher than the maximum rates for price-cap and incentive regulation carriers will be entitled to the *modified* Rural Transport Rule.
 - iv. Reductions in transport rates: While the language of the Plan contemplates that most transport rates will be reduced to meet the ultimate transport rates under the Plan, there may be instances where certain transport rates and/or rate elements will increase to meet the ultimate rates under the Plan. Nothing in this Plan should be read to suggest that certain rates or rate elements will always decrease to meet the ultimate transport rates.
- b. ***Originating Access Charges***
- i. Interstate and intrastate usage-sensitive originating access rates will be reduced to the carrier's declared ultimate originating rates in four equal steps as follows:
 - 1) At Step 1, the carrier's intrastate and interstate usage-sensitive originating access rates will be reduced by 25 percent of the difference between those rates at Step 0 and the carrier's declared ultimate rates as discussed above.
 - 2) At each of Steps 2 and 3, the resulting intrastate and interstate access rates will be further reduced by the same amount as in Step 1.
 - 3) At Step 4, the carrier will reduce its intrastate and interstate usage-sensitive originating access rates to its declared ultimate rates. The rates and rate structures for interstate and intrastate originating access traffic will be identical.
 - ii. Intrastate charges for direct trunk transport and entrance facilities will be reduced to interstate rate levels in four equal steps as follows:
 - 1) At Step 1, the carrier will reduce its intrastate rates for direct trunk transport and entrance facilities by 25 percent of the difference between those rates at Step 0 that the carrier's interstate rates for direct trunk transport and entrance facilities.
 - 2) At each of Steps 2 and 3, the resulting intrastate rates will be further reduced by the same amount as in Step 1.
 - 3) At Step 4, intrastate rates for direct trunk transport and entrance facilities will equal interstate rates.
 - iii. Fixed-rate carrier loop charges will be eliminated in four equal steps as follows:

- 1) At Step 1, the carrier will reduce its fixed-rate carrier loop charges by 25 percent.
- 2) At each of Steps 2 and 3, the carrier will reduce its fixed-rate carrier loop charges by the same amount as in Step 1.
- 3) At Step 4, the carrier will eliminate its fixed-rate carrier loop charges.

c. ***Terminating Rates***

- i. Interstate and intrastate usage-sensitive terminating access rates will be reduced to the carrier's declared ultimate terminating rates in three equal steps as follows:
 - 1) In Step 1, the carrier's intrastate and interstate usage-sensitive terminating access rates will be reduced by one third of the difference between those rates at Step 0 and the carrier's declared ultimate rates as discussed above.
 - 2) At Step 2, the resulting intrastate and interstate access rates will be further reduced by the same amount as in Step 1.
 - 3) At Step 3, the carrier's intrastate and interstate usage-sensitive terminating access rates will be lowered to the carrier's declared ultimate rates.
 - ii. At Step 3, *all* terminating charges, including those for reciprocal compensation, will be set at the carrier's declared unified terminating rates.
 - iii. *Dedicated Transport Rule* — The same Dedicated Transport Rule applicable to Track 1 carriers will apply, as discussed above in Section II.B.1.a.vi.
- d. ***Effect of Track 2 elections on access to Restructure Mechanism dollars and the Rural Transport Rule***
- i. Step 0 rate elections:
 - 1) At Step 0 of the Plan, each Track 2 carrier must declare (for each study area) what its ultimate originating and terminating rates will be at the end of the carrier's rate transition under the Plan.
 - a) For terminating rates:
 - i) the carrier must adopt a rate of \$0.0005 for end office switching as specified above in Section II.B.2.a.i.
 - ii) the carrier may declare ultimate rates between zero and the relevant maximum rate levels specified above for tandem switching and common transport.

- b) For originating rates, the carrier may declare ultimate rates between zero and the relevant maximum rate levels specified above.
 - c) As discussed above, the carrier's elections will determine whether it is entitled to the full or modified Rural Transport Rule.
- 2) In Steps 1 through 4, the carrier must reduce its originating and terminating rates to its declared ultimate rates in accordance with the phase-down rules discussed above in Sections II.B.2.a through c.
 - 3) If the Track 2 carrier complies with these rules, it may recover from increased SLCs and the Restructure Mechanism the difference between its intercarrier revenues at any given Step of the Plan and its intercarrier revenues immediately prior to the Plan's adoption, subject to line loss (in the case of price-cap and incentive regulation carriers) and the specific procedures set forth in Sections II.C and VI.A.1.c below (discussing SLC increases and Restructure Mechanism recovery under the Plan).
- ii. Step 4 rate elections:
- 1) At Step 4, Track 2 carriers will have an opportunity to change their declarations of ultimate rates and to select rates *lower* than those declared at Step 0.
 - a) The carrier may *not* change its ultimate rate for terminating end office switching, which must be \$0.0005.
 - 2) If a carrier takes advantage of this option, it must immediately (*i.e.*, at Step 4) reduce its originating and terminating rates to its *new* declared ultimate rates.
 - 3) A carrier that complies with these rules may recover from increased SLCs and the Restructure Mechanism the difference between its intercarrier revenues at any Step of the Plan and its intercarrier revenues immediately prior to the Plan's adoption, subject to line loss (in the case of price-cap and incentive regulation carriers) and the specific procedures set forth in Sections II.C and VI.A.1.c below (discussing SLC increases and Restructure Mechanism recovery under the Plan).
 - 4) If a rate-of-return carrier reduces its originating and terminating rates at Step 4 to levels no higher than the maximum rates for Track 2 price-cap and incentive regulation carriers, the rate-of-return carrier will be entitled to the *full* Rural Transport Rule at Step 4.
- iii. Incentive regulation elections:
- 1) A rate-of-return carrier may elect incentive regulation at any Step of the Plan, in accordance with the rules discussed below in Section VII.A.

- 2) At the same time that the carrier elects incentive regulation, it must declare its ultimate originating and terminating rates. Those rates may not exceed the maximum rates discussed above for price-cap and incentive-regulation carriers.
 - 3) A carrier electing incentive regulation *prior to* Step 4 must achieve its ultimate terminating rate at Step 3 and its ultimate originating rate at Step 4.
 - 4) A carrier electing incentive regulation *at or after* Step 4 must immediately reduce its rates to its declared ultimate originating and terminating rates.
 - 5) If a carrier complies with these rules:
 - a) it will be entitled to the full Rural Transport Rule; and
 - b) it may recover its lost intercarrier revenues from increased SLCs and the Restructure Mechanism in accordance with the specific procedures set forth in VII.B below.
- iv. Additional reductions:
- 1) After its Step 0 and Step 4 rate declarations, the carrier may not thereafter increase its declared rates. Moreover, any further reductions to rates beyond the ultimate rates declared in either Step 0 or Step 4 may not be recovered from the Restructure Mechanism.
 - 2) A carrier may negotiate originating or terminating rates with other carriers that differ from the carrier's declared ultimate rates or the ultimate terminating end office switching rate specified above. However, such negotiated rate reductions may not be recovered through the Restructure Mechanism.
 - 3) Moreover, if a carrier is otherwise entitled only to the modified Rural Transport Rule, the carrier cannot become eligible for the full Rural Transport Rule through such reductions.
- e. ***NECA pooling for Track 2 carriers*** — Track 2 rate-of-return carriers will continue to have the option to file their own tariffs or to participate in the NECA tariff with rate banding. Track 2 carriers' tariffed rates, even if filed by NECA, must be those prescribed in the Plan. Any Track 2 rate shortfall will not affect the Track 3 pooled intercarrier compensation rates.

3. ***Track 3***

Summary: Under Track 3, originating and terminating intrastate access charges will be unified with and reduced to the level of interstate access charges in four steps.⁵ The resulting unified access charge level will be used as a cap for reciprocal compensation rates. As set forth in Section II.E.6 below, for Track 3, EAS traffic will remain subject to existing arrangements between ILECs.

a. ***Originating and Terminating Access Charges***⁶

- i. At Step 1, carriers will adopt the interstate access rate structure for all intrastate access charges. All intrastate access charges (both originating and terminating) will be reduced by 25 percent of the difference between those charges at the start of the Plan and the corresponding interstate charges.
- ii. At each of Steps 2 and 3, intrastate access charges will be further reduced by the same amount as in Step 1.
- iii. At Step 4, intrastate access charges will be reduced to the levels of interstate access charges.
- iv. The Plan permits the same optional pooling and rate banding for access traffic as today. Some rate bands may be added for local switching and tandem switching. Under the Plan, the NECA pool can be utilized as a way of unifying access rates for Track 3 carriers.

b. ***Reciprocal Compensation***

- i. In the absence of an existing intercarrier compensation agreement, an interim interconnection arrangement may apply to the exchange of reciprocal compensation traffic between a Track 3 carrier and another carrier pursuant to an interim interconnection arrangement, under the terms discussed below in Sections II.E.5.b and IV.A.
- ii. If a Track 3 carrier is exchanging traffic pursuant to an existing intercarrier compensation agreement:
 - 1) At Step 1, if the reciprocal compensation rate in the interconnection agreement is higher than the Track 3 ILEC's interstate access rate, the

⁵ If a Track 3 carrier's intrastate access charges are lower than its interstate access charges, the Plan does not require the carrier to change its intrastate access charges. If there is an intrastate carrier common line charge, that charge will be eliminated and the carrier may recover the lost revenues from the Restructure Mechanism.

⁶ The parties supporting the Plan have not reached agreement on the target rates applicable to Track 3 carriers in Alaska. The Commission shall resolve this issue. Arguments in support of two options are set forth in Appendix A.

reciprocal compensation rate will be reduced to the Track 3 ILEC's interstate access rate.

- 2) When the carrier's intercarrier compensation agreement expires, pending any new agreement, the carrier will charge the lower of:
 - a) the carrier's current interstate access rate under the Plan; or
 - b) the rate the carrier was charging at the time the agreement expired.
- 3) If, however, the rate under the existing agreement was set by State rule, regulation, or arbitration (*i.e.*, not through negotiated agreement) at "bill and keep" or zero, at Step 4 the carrier will begin charging the lower of:
 - a) the carrier's current interstate access rate under the Plan; or
 - b) the carrier's highest cost-based, State-approved reciprocal compensation rate.

4. ***Rules applicable to all Tracks***

- a. Beginning at Step 3 of the Plan, a CMRS carrier terminating a call for an IXC will charge the IXC no higher than the maximum Track 1 reciprocal compensation rate.
- b. The Plan provides a mechanism for all carriers to obtain interim interconnection arrangements permitting them to exchange reciprocal compensation traffic with carriers with whom they do not have an existing intercarrier compensation agreement. *See* Sections II.E.5.b and IV.A for a discussion of the default rates and terms for such interim arrangements.

C. Opportunity to Raise SLC Rates To Recover Access Revenues

Summary: The Plan provides that, as intercarrier compensation rates are reduced, carriers will have the opportunity to recover some of their lost revenues through increased end-user rates. Under the Plan, the federal subscriber line charge ("SLC") caps will increase gradually, and to different degrees, depending on a carrier's Track classification. SLC increases will operate in tandem with the other recovery mechanisms discussed below in Section VI.

The Plan places three different constraints on the amount that any given SLC rate can increase: nationwide SLC caps, limitations on individual rate increases, and limitations on average rate increases. Any adjustment to a SLC rate under the Plan must comply with *all three* of the constraints set out below.⁷

⁷ This Plan does not address retail rates that non-ILECs charge their end users.

1. **Constraint number 1: Nationwide SLC caps**

- a. **Track 1** — Under Track 1, all SLC caps will rise to \$10.00 in a four-step transition.
 - i. The primary-residential / single-line-business (*i.e.*, primary-line) per-month SLC cap will increase by \$0.75 each year in Steps 1 and 2, and by \$1.00 each year in Steps 3 and 4. This means that the nationwide primary-line SLC cap will be:
 - 1) \$7.25 at Step 1;
 - 2) \$8.00 at Step 2;
 - 3) \$9.00 at Step 3; and
 - 4) \$10.00 at Step 4.
 - ii. The nationwide non-primary-residential SLC cap will rise as follows:
 - 1) \$7.25 at Step 1;
 - 2) \$8.00 at Step 2;
 - 3) \$9.00 at Step 3; and
 - 4) \$10.00 at Step 4.
 - iii. The nationwide multi-line-business SLC cap will rise as follows:
 - 1) \$9.20 at Step 1;
 - 2) \$9.20 at Step 2;
 - 3) \$9.20 at Step 3; and
 - 4) \$10.00 at Step 4.
 - iv. Starting at Step 5, the nationwide SLC cap will rise with inflation each year.
- b. **Tracks 2 and 3**
 - i. Under Tracks 2 and 3, the residential / single-line-business SLC cap will increase by \$0.75 in each of Steps 1, 2, and 3 of the Plan, amounting to a total increase of \$2.25 over three years. This means that the nationwide primary-line SLC cap will be:
 - 1) \$7.25 at Step 1;

- 2) \$8.00 at Step 2; and
- 3) \$8.75 at Step 3.
- ii. For Track 2, the multi-line-business SLC cap will rise by \$0.80 in Step 3. The nationwide multi-line-business SLC cap will be:
 - 1) \$9.20 at Step 1;
 - 2) \$9.20 at Step 2; and
 - 3) \$10.00 at Step 3.
- iii. The Track 3 multi-line-business SLC cap will not change.
- iv. For Track 2 and 3 carriers, neither the residential nor business SLC caps will increase with inflation.
- v. If a State does not opt into the Plan, the SLC cap for Track 3 carriers in that State will not increase.
- vi. For Track 3 carriers, a mechanism may be developed: (1) to increase the SLC to a higher level if the local rate is farther from a “local benchmark” or (2) to implement a lower SLC increase if the local rate is closer to a local benchmark. If a carrier changes its rates pursuant to this provision, it must demonstrate that the average Track 3 SLC goes up by \$0.75 in each of Steps 1 through 3.

2. *Constraint number 2: Individual SLC rates for Track 1 price-cap carriers*

- a. *Individual* per-month residential and single-line business SLC rates for Track 1 price-cap carriers may not be increased over pre-Plan levels by more than \$0.95 in Step 1, \$1.90 in Step 2, \$3.10 in Step 3, or \$4.30 in Step 4. In no circumstance may an individual SLC rate be increased above the nationwide SLC cap for the relevant Step of the Plan.
- b. This constraint will be lifted at Step 5.

3. *Constraint number 3: Average SLC rates for price-cap carriers*

- a. The existing common line basket for price-cap carriers (as defined in 47 C.F.R. § 61.42(d)(1)) will be divided into a Mass Market Service Category and an Enterprise Service Category.
 - i. Primary residential, non-primary residential, and single-line business SLCs will be assigned to the Mass Market Service Category.
 - ii. Multi-line business SLCs will be assigned to the Enterprise Service Category.

- iii. Within each Service Category, carriers will have pricing flexibility as discussed below in Section II.C.7.

b. *For Track 1 carriers:*

- i. The *average* SLC rates *within each Service Category* may not be increased over pre-Plan levels by more than \$0.75 in Step 1, \$1.50 in Step 2, \$2.50 in Step 3, or \$3.50 in Step 4.
- ii. Further, in Steps 1 through 3, the average SLC rates within each Service Category may not be increased by more than the portion of the Access Shift Per Line recoverable at that Step (as calculated for Track 1 carriers), if lower than the amount provided in the previous paragraph.
 - 1) The Access Shift Per Line for Track 1 carriers is defined below in Section VI.A.1.b.iii.

c. *For Track 2 carriers:*

- i. The *average* SLC rates *within each Service Category* may not be increased over pre-Plan levels by more than \$0.75 in Step 1, \$1.50 in Step 2, or \$2.25 in Step 3.
- ii. In Steps 1 through 3, the average SLC rates within each Service Category may not be increased by more than the portion of the Access Shift Per Line recoverable at that Step (as calculated for Track 2 carriers), if lower than the amount provided in the previous paragraph.
 - 1) The Access Shift Per Line for Track 2 carriers is defined below in Section VI.A.1.c.iii.

d. This constraint will be lifted at Step 5.

4. ***Adjustments to the three SLC constraints for Track 1 carriers***

- a. In Steps 1 through 3 of the Plan, the three SLC constraints set forth above will be adjusted upward to permit a Track 1 carrier to make larger SLC increases if that carrier's cumulative access charge reductions by a given Step constitute a disproportionately large percentage of the *total* access charge reductions that the carrier expects to make under the Plan.
 - i. A carrier will make this adjustment if it has made *cumulative* reductions to its access charges that:
 - 1) in Step 1, amount to at least 25 percent of the *total* access charge reductions that the carrier expects to make under the Plan (*i.e.*, between Step 0 and Step 4 of the Plan);

- 2) in Step 2, amount to at least 50 percent of the total access charge reductions that the carrier expects to make under the Plan; or
 - 3) in Step 3, amount to at least 75 percent of the total access charge reductions that the carrier expects to make under the Plan.
- ii. The adjustment to the three SLC constraints will be a linear increase based on the percentage by which the carrier will exceed the relevant threshold discussed above.
 - iii. Specifically, in each Step the carrier will calculate the *total* SLC increases that the Plan would otherwise permit it to make by that Step and multiply that *total* increase by the percentage by which it will exceed the relevant threshold for that Step.
 - 1) For example, if by Step 2 a carrier makes cumulative reductions to its access charges that amount to 55 percent of the total access charge reductions that the carrier expects to make under the Plan, the carrier would exceed the 50 percent threshold discussed above by 10 percent ($55 / 50 = 1.10$). Thus, the SLC increases permitted under each of the three constraints discussed above would be adjusted upward by 10 percent. In this example, the constraints would be affected in the following ways for Step 2:
 - a) *Constraint 1*: The SLC cap would increase by \$1.65 over pre-Plan levels instead of the \$1.50 prescribed in the Plan for Step 2:
 $(1.10 \times (\$0.75 + \$0.75) = \$1.65)$.
 - b) *Constraint 2*: Individual per-month residential and single-line business SLC rates could increase by \$2.09 over pre-Plan levels instead of the \$1.90 set out in the Plan for Step 2:
 $(1.10 \times (\$0.95 + \$0.95) = \$2.09)$.
 - c) *Constraint 3*: Subject to the Access Shift Per Line limitation, the average SLC rates within each Service Category could increase by \$1.65 over pre-Plan levels instead of the \$1.50 set out in the Plan for Step 2: $(1.10 \times (\$0.75 + \$0.75) = \$1.65)$.
 - iv. The carrier may make upward adjustments to its SLC cap (*i.e.*, Constraint number 1) only until it reaches the ultimate SLC cap of \$10.00 (or \$10.00 plus inflation after Step 4).
5. ***Subject to the three constraints discussed above:***
- a. SLC price reductions within a Service Category can be offset by SLC price increases within a Service Category.

- b. SLC price reductions in one Service Category cannot be offset by SLC price increases in the other Service Category.
6. ***Relationship of SLC increases to the Restructure Mechanism*** — Carriers will have flexibility to impose SLC rates below the maximum rates permitted under the Plan. Recovery from the Restructure Mechanism, however, will be calculated as if carriers are recovering the maximum allowable amount permitted under the relevant SLC caps and other constraints.
7. ***Pricing flexibility rules*** — For all price-cap carriers, the Plan outlines pricing flexibility rules for the SLC. This flexibility is subject to the three constraints discussed above.
- a. At Step 1, carriers will have the following pricing flexibility with respect to the SLC:
 - i. SLC rates may be geographically deaveraged as follows:
 - 1) SLC rates for different customer segments may vary by pricing zone.
 - 2) Up to four pricing zones may be created in each State; carriers also may use existing State UNE zones.
 - a) Each zone must contain at least 15 percent of the lines.
 - 3) There is no formula for the initialization of the SLC rate in each pricing zone.
 - ii. Carriers may vary SLC rates based on customer purchase choice, which includes:
 - 1) Volume purchase, where volume includes the customer's revenue spend or the purchase of other services (*e.g.*, additional lines, vertical services, or a service package) provided by the ILEC or in combination with the ILEC and its affiliates;
 - 2) Term commitment; and/or
 - 3) Growth commitment, where growth reflects an increase in volume as described above.
 - iii. Carriers may apply different SLC charges based on customer segment. A customer segment is a homogeneous group of customers that shares one or more of the following dimensions:
 - 1) Customer class;
 - 2) Pricing zone; or

- 3) Customer purchase choice including, but not limited to, volume purchase, term commitment, and growth commitment.
- iv. Carriers may offer promotions that reduce the SLC (for example, a two-month SLC waiver for customers who sign up for an all-distance plan).
- v. Carriers may use contract tariffs for consumer and business SLC charges.
 - 1) SLC revenues generated by contract tariffs are not included in the price-cap basket.
- vi. Bundles and service packages:
 - 1) Carriers may offer customers that purchase bundles/service packages any of the following options: an increase to the current SLC line item; a new stand-alone line item; a roll-up of the SLC or some portion of the SLC into the bundle/service package price; or some combination of these.
 - a) A service package or bundle is a group of services that is marketed at a single price point and may or may not include long distance.
 - b) This provision does not modify any applicable accounting safeguards.
 - 2) Carriers may offer customers that do not purchase bundles/service packages any of the following options: an increase to the current SLC line item; a new line item; or some combination of these.
- b. Carriers will obtain additional pricing flexibility at Step 4.
 - i. Constraints on pricing zones will be eliminated.
 - ii. The nationwide per-line SLC caps will not apply to SLCs offered through contract tariffs.
 - iii. Tariff filings can be made on one day's notice.
- c. Notwithstanding these rules, no SLC rate may be increased above the nationwide SLC cap for the relevant Step of the Plan.

D. Differentiating Between “Switched Access” and “Reciprocal Compensation” Traffic for Purposes of Intercarrier Compensation

Summary: The Plan establishes clear, concrete rules concerning how to classify traffic in order to determine which category of intercarrier compensation charge applies — *i.e.*, reciprocal compensation or switched access. The Plan establishes a telephone-number based methodology that will rely on the calling and called telephone numbers to determine how a call should be categorized for these purposes. While the parties recognize that telephone numbers do not always reliably identify end users' actual locations, this telephone-number-based rule is a

compromise that will establish predictable rules to govern the exchange of traffic so long as distinct regimes/charges are maintained for access and Non-Access Traffic. These rules are designed to be implemented at Step 1 of the Plan.

1. *Definitions*

- a. The calling telephone number refers to the telephone number assigned to the end user that originates the call.
- b. The called telephone number refers to the telephone number dialed by the end user that originated the call.

2. *Originating Inter-carrier Compensation*

- a. The following traffic will be designated as access traffic:
 - i. Traffic between two wireline carriers in any of the following scenarios:
 - 1) the calling telephone number and the called telephone number are associated with different rate centers and the rate centers are not in the same reciprocal compensation local calling area;⁸
 - 2) the called telephone number is an 8YY call for which a POTS routable telephone number is returned from the 800 database and that telephone number is associated with a rate center that is not located in the same reciprocal compensation local calling area as the calling telephone number;
 - a) 8YY calls for which a POTS routable telephone number is returned from the 800 database that is associated with a rate center located in the same reciprocal compensation local calling area as the calling telephone number are *not* considered access traffic.
 - 3) the called telephone number is an 8YY call for which a POTS routable telephone number is not returned from the 800 database or is a call type that does not rely upon a geographically-based telephone number convention, *e.g.*, 900 traffic.
 - ii. Traffic from a wireline provider to a CMRS provider in either of the following scenarios:

⁸ A “reciprocal compensation local calling area” is a local calling area established by a State commission for the purpose of identifying traffic subject to 47 U.S.C. § 251(b)(5). In the absence of a clear rule specifying a uniform local calling area for all carriers, the incumbent’s retail local calling area will apply.

- 1) the calling telephone number of the wireline subscriber and the called telephone number of the wireless subscriber are associated with different rate centers within the same MTA, and an IXC (whether or not affiliated with the wireline carrier) has the retail toll service relationship with the calling party;
 - 2) the calling telephone number of the wireline subscriber and the called telephone number of the wireless subscriber are associated with different rate centers in different MTAs.
- b. All originating traffic that is not covered by Section II.D.2.a, above, shall not be considered access traffic, and no originating charges may be applied.
 - c. Traffic that is designated as access traffic will be subject to originating switched access charges where a carrier still charges distinct access charges under the Plan.
 - i. The carrier responsible for paying applicable originating switched access charges is the carrier with the retail relationship for the toll service portion of the call.
 - ii. When the retail toll service provider is non-facilities based, the underlying facilities-based carrier it has retained stands in its shoes as the carrier responsible for payment of originating switched access charges.
 - d. The jurisdiction of originating switched access traffic under the Plan will be determined as follows.
 - i. Interstate originating switched access charges will apply as described in Section II.D.2.a to access traffic when the telephone number of the calling party and the telephone number of the called party are associated with different rate centers in different States.
 - ii. Intrastate originating switched access charges will apply as described in Section II.D.2.a to access traffic when the telephone number of the calling party and the telephone number of the called party are associated with different rate centers in the same State.
 - iii. These rules apply to 8YY access traffic for which POTS routable telephone numbers are returned.
 - iv. Interstate originating switched access charges will apply to access traffic associated with 8YY calls for which POTS routable telephone numbers are not returned from the 800 database and to access traffic that does not rely upon a geographically-based telephone number convention, *e.g.*, 900 traffic.

3. *Terminating Intercarrier Compensation*

- a. *Traffic between a LEC and a non-CMRS carrier*

- i. Terminating, reciprocal compensation charges will apply when the telephone number of the calling party and the telephone number of the called party are associated with rate centers that are in the same reciprocal compensation local calling area.
 - 1) VoIP-originated traffic terminating to the PSTN is subject to this rule. The calling number for VoIP-originated traffic is the telephone number assigned to the end user subscribing to the VoIP service, not the telephone number assigned to the PRI service used to interconnect with the PSTN.
 - 2) Traffic that would otherwise fall within Section II.D.3.a.i that is ISP-bound traffic will be subject to the specific charges applicable to ISP-bound traffic as set forth in Section II.E.8 below;
 - 3) Traffic that would otherwise fall within Section II.D.3.a.i that is out-of-balance traffic will be subject to the specific charges applicable to out-of-balance traffic as set forth in Section II.E.9 below;
 - ii. Traffic terminating on a wireline network will be designated as access traffic and subject to applicable terminating access charges when the telephone number of the calling party and the telephone number of the called party are associated with rate centers that are not in the same reciprocal compensation local calling area.
 - 1) VoIP-originated traffic terminating to the PSTN is subject to this rule, and the calling number will be determined as set forth in Section II.D.3.a.i.1., above.
 - iii. Terminating traffic that is received without calling telephone number information will be allocated to the access and reciprocal compensation categories in the same proportion as terminating traffic that is received with the calling number information.
- b. *Traffic between a LEC and a CMRS carrier*
- i. *CMRS-to-wireline traffic*
 - 1) Traffic will be designated as reciprocal compensation traffic when the calling telephone number of the wireless subscriber and the called telephone number of the wireline subscriber are associated with rate centers within the same MTA, and terminating reciprocal compensation charges shall apply.
 - 2) CMRS-to-wireline traffic will be designated as access traffic and subject to applicable terminating access charges in the following scenarios:

- a) the calling telephone number of the wireless subscriber and the called telephone number of the wireline subscriber are associated with rate centers located in different MTAs;
- b) CMRS-originated traffic is exchanged with a LEC via an IXC (whether affiliated or unaffiliated with the CMRS provider).

ii. *Wireline LEC-to-CMRS traffic*

- 1) Traffic from a wireline LEC to a CMRS provider will be reciprocal compensation traffic subject to applicable terminating reciprocal compensation charges when the calling telephone number of the wireline subscriber and the called telephone number of the wireless subscriber are associated with rate centers within the same MTA *and* one of the following applies:
 - a) the calling telephone number of the wireline subscriber and the called telephone number of the wireless subscriber are associated with the same rate center;
 - b) the calling telephone number of the wireline subscriber and the called telephone number of the wireless subscriber are associated with different rate centers, but the rate centers are covered by an ILEC EAS arrangement; *or*
 - c) the calling telephone number of the wireline subscriber and the called telephone number of the wireless subscriber are associated with different rate centers in the same MTA and the LEC has the retail toll service relationship with the calling party, provided that this rule shall apply only when the LEC itself, and not an IXC-affiliate of the LEC, has that toll relationship.
- 2) In accordance with 47 U.S.C. § 251(b)(3), wireline LEC-to-CMRS traffic that falls into Section II.D.3.b.ii.1 above will not require additional digits to be dialed. If a separate trunk group is needed for technical feasibility reasons to enable the routing of this traffic without additional dialed digits, the wireline carrier and CMRS provider must accommodate this requirement.
- 3) A LEC may not use an IXC to exchange traffic that falls into Section II.D.3.b.ii.1 with a CMRS provider.

c. *Traffic between an IXC and a CMRS carrier*

- i. At Steps 2 and 3 of the Plan, a CMRS provider will charge \$0.0007 when it terminates IXC traffic.

- ii. Starting at Step 4 of the Plan, a CMRS provider will charge \$0.0005 to terminate IXC traffic.
- d. *Jurisdiction of terminating switched access traffic.* To the extent a carrier still charges distinct interstate and intrastate terminating switched access charges, the jurisdiction of terminating switched access traffic will be determined as follows when applying those charges:
 - i. Interstate terminating switched access charges will apply as described in Section II.D.3.a.ii to non-VoIP-originated access traffic when the telephone number of the calling party and the telephone number of the called party are associated with different rate centers in different States.
 - ii. Intrastate terminating switched access charges will apply as described in Section II.D.3.a.ii to non-VoIP-originated access traffic when the telephone number of the calling party and the telephone number of the called party are associated with different rate centers in the same State.
 - iii. Interstate terminating switched access charges will apply as described in Section II.D.3.a.ii to all VoIP-originated traffic that terminates on the PSTN and qualifies as access traffic, regardless of the type of carrier the VoIP provider uses to connect to the PSTN.
 - iv. For non-VOIP terminating traffic that is received without a calling telephone number and that is treated as access traffic under Section II.D.3.a.iii above, the access charges will be allocated to the intrastate and interstate jurisdictions in the same proportion as terminating traffic that is received with the calling number information.

E. General Intercarrier Compensation Rules for Non-Access Traffic

The Plan establishes a set of rules to govern carriers' financial obligations when they exchange Non-Access Traffic.⁹ These rules do not apply to access traffic. These rules apply generally to all carriers, regardless of Track, except as specified.

- 1. **General Obligation:** Each carrier has the following financial obligations for interconnection for traffic that originates on its network:
 - a. *Transport* to deliver its originating Non-Access Traffic to the terminating carrier's Edge (as defined below in Section III.B); and

⁹ At Step 1, "Non-Access Traffic" will be ISP-bound traffic and traffic now subject to reciprocal compensation charges. Upon unification of terminating charges for a Track 1 or Track 2 carrier, terminating traffic formerly subject to access charges will be considered Non-Access Traffic for purposes of this Plan.

- b. *Termination* of its originating traffic by the terminating carrier from its Edge.
- 2. **General Prohibition:** A carrier may not assess on any other carrier charges for Non-Access Traffic originating on its network, except as set forth herein.
- 3. **Rules for Transport Charges:**
 - a. When one carrier provides transport to terminate another carrier's traffic, it may charge its applicable transport rate as set forth above in Section II.B.
 - b. *Transport* is the transmission facilities a carrier requires to physically interconnect its network with the terminating carrier's Edge.
 - c. A carrier may satisfy its transport obligations by:
 - i. Constructing its own facilities,
 - ii. Obtaining facilities from a third-party carrier, or
 - iii. Purchasing transport services from the terminating carrier. Where a carrier chooses to purchase transport from the terminating carrier, the terminating carrier may charge transport charges (as set forth in Section II.B.), as follows:
 - 1) Dedicated transport used to directly interconnect at the terminating carrier's Edge may be charged on a flat-rated basis at the applicable interstate dedicated switched transport rates.
 - a) When the terminating carrier is a non-ILEC carrier, rates will be benchmarked to (*i.e.*, capped at) the Track 1 ILEC rate level for comparable interstate dedicated switched transport services.
 - 2) Tandem switched transport charges for common transport or tandem switching and common transport will be usage-based, subject to the EAS traffic and out-of-balance traffic provisions below (see Sections II.E.6 and II.E.9).
 - 3) For traffic exchanged with a Track 3 carrier, transport charges will include any transport link costs between the Track 3 carrier's end office location served by a remote switching system and its host end office.
 - d. Transport rules for Track 1 carriers:
 - i. *Track 1 — Track 1 Transport obligation for out-of-balance traffic.* For out-of-balance traffic, as defined in Section II.E.9, below, the Track 1 carrier terminating the larger amount of traffic will have the financial obligation for *all* transport (not just the traffic above the 3:1 ratio) to interconnect the two carriers for traffic in *both* directions.

- ii. Notwithstanding Section II.E.1.a above, the following transport and compensation obligations will apply to interconnection arrangements that were in place prior to adoption of the Plan where a non-ILEC has established a point of interconnection (POI)¹⁰ at a Track 1 ILEC's end office or local tandem ("Virtual Edge").
 - 1) Either carrier may choose to replace the existing interconnection arrangement with the default Access Tandem Edge arrangement provided for by the Plan. If either carrier makes this election, each carrier will make the necessary modifications to its network to implement the change.
 - 2) If both carriers elect to maintain an existing interconnection arrangement, the Track 1 ILEC location at which the POI was established will be designated as the Track 1 ILEC's Virtual Edge for the traffic it receives over this interconnection arrangement from the non-ILEC.
 - a) The Track 1 ILEC will provide, at its own expense, the transport to connect any of its end offices that subtend its Virtual Edge for traffic exchanged with the non-ILEC in both directions over this interconnection arrangement.
 - b) The non-ILEC will provide, at its own expense, the transport to interconnect its network with the Track 1 ILEC's Virtual Edge for traffic exchanged in both directions over this interconnection arrangement with the ILEC.
 - c) When the airline distance between the non-ILEC's Edge and the Track 1 ILEC's Virtual Edge is greater than the distance between the non-ILEC's Edge and the ILEC's default Access Tandem Edge, the Track 1 ILEC will compensate the non-ILEC a dedicated transport charge based on the number of miles that is equivalent to the difference between these two transport distances, not to exceed the distance between the Virtual Edge and the default Access Tandem Edge. The transport charge will cover only the transport capacity required to exchange the parties' Non-Access Traffic in both directions over this interconnection arrangement. If the Track 1 ILEC elects to maintain originating switched access charges, it will not be responsible for transport capacity used for originating switched access traffic; instead,

¹⁰ For the purposes of the Plan, a point of interconnection (POI) means a specific network site, such as a cross-connect device, where two carriers physically interconnect their networks for the exchange of traffic. A POI has often served as the network demarcation where one carrier's obligation for providing the transport facility stops and the other carrier's obligation for the facility begins.

it may charge its applicable access rates for transport functions it provides.

- 3) In order to qualify for this rule, the non-ILEC must establish a POI at the Track 1 ILEC's default Access Tandem Edge serving the geographic area in which the Virtual Edge is located.
- e. *Transport rules for CRTC's.* The following rules will take effect at Step 1.
- i. *Track 1 – Track 3 ILEC transport obligation (the modified Rural Transport Rule)*
 - 1) Track 1 carriers have a financial obligation to transport their originating traffic to the Track 3 ILEC's Edge, as specified Section II.E.1.a.
 - 2) A Track 1 carrier also will bear the financial obligation for provisioning the interconnection transport to carry traffic (in both directions) between its Edge and the meet point with the Track 3 ILEC. The Track 1 carrier will determine whether the interconnection transport should be provided through direct interconnection or through an indirect arrangement.
 - 3) If a Track 1 carrier elects to interconnect indirectly, it will be the Ordering Carrier for the Tandem Transit Service to transport the Track 3 ILEC's originating traffic from the meet point to the Track 1 carrier's Edge.
 - 4) If the Track 1 carrier provides dedicated transport through a direct interconnection arrangement, the Track 3 ILEC will compensate the Track 1 carrier on a flat rated basis for 50 percent of the capacity required to transport its traffic from the meet point to the terminating Track 1 carrier's Edge. This obligation extends only to the first ten miles of such transport capacity.
 - 5) The meet point on the Track 3 ILEC's network for the purposes of establishing the Track 1 carrier's transport obligation will be established as follows:
 - a) Where a Track 3 ILEC's end office does not subtend a tandem switch owned and operated by that Track 3 ILEC, or where it does subtend its own tandem switch but that switch serves only access traffic, the meet point will be (a) the existing meet point serving the exchange in which the Track 3 ILEC's end office is located, or (b) a meet point in that exchange that is established pursuant to the General Interconnection Framework set forth below in Section III.C.4.
 - b) Where a Track 3 ILEC's end office subtends a tandem switch owned and operated by the Track 3 ILEC that serves Non-Access Traffic, the meet point shall be (a) the existing meet point serving the exchange in which the tandem switch is located, or (b) a meet point in that

exchange that is established pursuant to the General Interconnection Framework set forth below in Section III.C.4.

- c) Where the volume of ISP-bound traffic originating from a Track 3 ILEC's end office to a Track 1 carrier (a) exceeds a busy-hour threshold of 2 DS1s measured in a time-consistent busy hour each month for three consecutive months (based on Neal Wilkinson tables, 1 percent blockage, low day-to-day variation with a peakedness factor of 1.0); and (b) the Track 3 ILEC's end office subtends a tandem switch owned and operated by that ILEC; and (c) that tandem switch serves Non-Access Traffic, the meet point will be the existing meet point serving the exchange in which the Track 3 ILEC's end office is located or a meet point in that exchange that is established pursuant to the General Interconnection Framework set forth below in Section III.C.4.
 - 6) As noted in Section II.E.6, below, existing interconnection arrangements, including tandem transit arrangements, between a Track 3 and Track 1 ILEC with respect to the exchange of EAS traffic in a mandatory local calling area or optional local calling area arrangement will remain in place and are unaffected by this Plan, as will the reciprocal compensation arrangements provided for in such arrangements.
- ii. *Track 1 – Track 2 ILEC transport obligation*
- 1) *Full Rural Transport Rule:* Some Track 2 ILECs will qualify for the *full* “Rural Transport Rule” when they satisfy the conditions set forth above in Sections II.B.2.a.iii and II.B.2.d. Unlike carriers entitled to the *modified* Rural Transport Rule, these Track 2 carriers ultimately will not be required to bear any transport cost between the meet point and the Track 1 carrier's Edge.
 - a) The Track 1 carrier has a financial obligation to transport its originating traffic to the Track 2 carrier's Edge, as specified in Section II.E.1.a.
 - b) The Track 1 carrier also will bear the financial obligation for the transport to carry traffic (in both directions) between the Track 1 carrier's Edge and the meet point with the Track 2 ILEC. The Track 1 carrier will determine whether the interconnection transport should be provided through direct interconnection or through an indirect arrangement.
 - c) If the Track 1 carrier chooses to interconnect indirectly, it will be the Ordering Carrier for the Tandem Transit Service used to satisfy its obligation to transport the Track 2 carrier's originating traffic from the meet point to the Track 1 carrier's Edge.

- d) A Track 1 carrier may also choose to interconnect directly with the Track 2 carrier. However, unlike carriers entitled only to the *modified* Rural Transport Rule, Track 2 carriers entitled to the full Rural Transport Rule need not compensate the Track 1 carrier for any of the dedicated transport capacity required to transport the Track 2 carrier's originating traffic from the meet point to Track 1 carrier's Edge.
- 2) *Modified Rural Transport Rule*: Other Track 2 ILECs will be entitled to the same *modified* Rural Transport Rule available to Track 3 carriers, as described above in Sections II.E.3.e.i.1 to 4. A Track 2 carrier's entitlement to the modified Rural Transport Rule is discussed above in Sections II.B.2.a.iii and II.B.2.d
- 3) The meet point on any Track 2 ILEC's network for the purposes of establishing the Track 1 carrier's transport obligation will be established in the same way as described above in Section II.E.3.e.i.5 with respect to Track 3 carriers.
- iii. *Track 2 Transport Pricing*: As Track 2 carriers transition to the target transport and termination rate structure, the ratios of the DS-1 and DS-3 dedicated transport rates to the common transport rates must be equal to or less than the ratios prior to the implementation of the Plan.

4. Rules for Termination Charges:

- a. When one carrier terminates another carrier's traffic, the terminating carrier may charge its applicable termination rate as set forth in Sections II.B and II.E.5.
- b. *Termination* is the acceptance of traffic routed according to NPA-NXX or LRN by a terminating telecommunications carrier.
- c. Termination charges are intended to recover the costs of the traffic sensitive components of the terminating carrier's network used to deliver traffic from its Edge to the called party, as defined herein.
 - i. Track 1 carriers: Termination charges shall cover:
 - 1) The components of any dedicated transport, common transport or tandem switching used to terminate traffic within a carrier's network; and
 - 2) End office switching, or equivalent functionality.
 - ii. Track 2 and Track 3 carriers: Termination charges cover the traffic-sensitive components of end office switching, or equivalent functionality.
- d. The *terminating carrier* (*i.e.*, the carrier responsible for that NPA-NXX or LRN at its designated Edge for delivery to the called party) is the owner of the Edge at which the traffic is terminated.

- i. If a carrier assigns its terminating Edge responsibilities in the LATA associated with a particular NPA-NXX or LRN to another carrier, the assignee (*i.e.*, Edge operator/owner) is the Terminating Carrier. Assignment of Edges shall not affect a carrier's existing CRTC status under this Plan.
- ii. If a reseller adopts the Edges of the underlying carrier, the underlying carrier (*i.e.*, the Edge operator/owner) is the Terminating Carrier.
- iii. A CLEC using a UNE platform or wholesale substitute (other than resale under Section 251(c)(4) of the Act):
 - 1) is not a reseller for purposes of these rules; it has direct responsibility for transport and termination charges for traffic it originates and may assess applicable charges for traffic it terminates; and
 - 2) will stand in the shoes of its underlying network provider with respect to Edge responsibilities and network categorization. Such CLECs will be responsible for compensating the underlying network provider for a pro-rata share of:
 - a) dedicated transport costs incurred by the underlying network provider; and
 - b) any Tandem Transit Service charges incurred by that provider.

5. ***General Rule Regarding Rate Levels for Transport and Termination Charges for Reciprocal Compensation Traffic:*** The reciprocal compensation charges for transport and termination functions performed to terminate another carrier's Non-Access Traffic will be determined as follows (subject to the out-of-balance, EAS, and ISP-bound traffic exceptions described below):

- a. The amount of the charge will be based on whether the originating and terminating carriers are ILECs.
 - i. Traffic between any two non-ILECs: At Step 1, each carrier will charge its own rates. Beginning at Step 3, the rates charged will be symmetrical: each carrier will charge the applicable Track 1 reciprocal compensation rates under this Plan to terminate the other carrier's traffic.
 - ii. Traffic exchanged between any two ILECs: Each carrier will charge the reciprocal compensation rates applicable to its own Track to terminate the other carrier's traffic, subject to the rules regarding EAS traffic in Section II.E.6 below.
 - iii. Traffic exchanged between an ILEC and a non-ILEC: The non-ILEC will charge the same reciprocal compensation rate charged by the ILEC for performance of comparable functions.

- b. The relevant ILEC rates for transport and termination will be the rates specified in the relevant Track 1, Track 2, and Track 3 transition plans in Section II.B above. However, if there is no interconnection agreement, an interim reciprocal compensation arrangement may be established pursuant to the procedures set forth in Section IV.A, and the interim reciprocal compensation charges will be determined as follows:
 - i. For Track 1 and 2 carriers, in Steps 1 and 2 the interim transport and termination rate level will be \$0.0007. At Step 3, the Plan rates discussed above in Section II.B will apply.
 - ii. For Track 3 carriers, the interim transport and termination rate level for all Steps of the Plan will be equal to the Track 3 carrier's interstate switched access rates¹¹ in effect at the time the interim arrangement is established.
 - iii. Interim reciprocal compensation rates established under these two provisions will remain in effect until superceded by a formal, State-approved interconnection agreement as described in Section IV.B.
- 6. ***Rules for Track 3 ILECs Subject to an EAS Traffic Agreement:*** The foregoing general reciprocal compensation rules do not apply to existing reciprocal compensation arrangements for EAS traffic exchanged between a Track 3 ILEC and another ILEC, or to intercarrier compensation for tandem transit arrangements used to indirectly interconnect with a Track 3 ILEC in a mandatory local calling area arrangement or an optional local calling area arrangement. Instead, the following rules apply:
 - a. Except as set forth in Section II.E.6.e below, nothing in the Plan affects existing mandatory local calling area and optional calling area arrangements, including reciprocal compensation for transport and termination.
 - b. Except as set forth in Section II.E.6.e below, nothing in the Plan affects existing intercarrier compensation for the use of tandem transit arrangements to indirectly interconnect a Track 3 ILEC with another ILEC in connection with an EAS arrangement.
 - c. In a mandatory local calling area or an area covered by an optional local calling area arrangement where a Track 3 ILEC exchanges EAS traffic with another ILEC on a bill and keep basis, the Track 3 ILEC must offer to exchange traffic with CLECs and CMRS providers on a bill and keep basis for the transport and termination of traffic from the CLECs' or CMRS providers' telephone numbers associated with rate centers in the mandatory or optional local area.

¹¹ The interstate access rate structure and the reciprocal compensation structure for transport and termination will need to be harmonized.

- i. The Track 3 ILEC must extend this offer on a one-time basis to CLECs and CMRS providers with which it has an existing interconnection agreement.
 - ii. Where there is no existing interconnection agreement, the Plan's interim reciprocal compensation rates will apply as in Sections II.E.5.b and IV.A, but the Track 3 ILEC must extend this offer at such time as the CLEC or CMRS carrier requests an interconnection agreement.
 - iii. The rules set forth in this subsection do not apply to tandem transit service CLECs or CMRS providers use to indirectly interconnect with a Track 3 ILEC.
- d. The rules regarding tandem transit arrangements used to indirectly interconnect a Track 3 ILEC with another ILEC for the exchange of EAS traffic associated with a mandatory local calling area arrangement or an optional local calling area arrangement are covered in the CRTC transport rules discussion, Section II.E.3.e, above.
 - e. Any carrier, including a tandem transit provider, may seek changes to tandem transit services used to indirectly interconnect a Track 3 ILEC with other ILECs in mandatory local calling areas and optional calling area arrangements. Any carrier retains its right to challenge proposed changes to these tandem transit services.
 - f. When a State commission considers establishing new mandatory local calling areas or revisits an existing arrangement, the reciprocal compensation charges and Tandem Transit Service charges established by this Plan may be utilized in determining the appropriate recovery mechanism.
 - g. In the proceeding conducted by the Commission at Step 4, the Commission will determine whether additional reform of the rules applicable to EAS arrangements and the Tandem Transit Service framework are appropriate.

7. *Additional CRTC – CRTC transport and termination rules:*

- a. Existing interconnection arrangements, including tandem transit arrangements, that a Track 3 ILEC uses to exchange EAS traffic with another CRTC in a mandatory local calling area or optional calling area arrangement, as well as current reciprocal compensation charges for the transport and termination of such traffic, are unaffected by the terms of the Plan.
- b. For ISP-bound traffic exchanged between two CRTCs, the carrier serving the ISP must fulfill the *Track 1* transport obligations for ISP-bound traffic described in Sections II.E.3.e.i. and ii (*i.e.*, the CRTC serving the ISP shall have the financial obligation for transport of the ISP-bound traffic from the other carrier's meet point).

8. ***Special Rules Concerning Compensation for Exchange of ISP-Bound Traffic:*** The following rules apply to the exchange of ISP-bound traffic:
- a. Definition of ISP-bound traffic. There shall be a rebuttable presumption that traffic that qualifies as ISP-bound traffic pursuant to the FCC's *ISP-Bound Traffic Framework*¹² on a per-carrier, per-state basis, shall be identified as ISP-bound traffic. If a carrier successfully rebuts the ISP-bound traffic presumption for traffic that exceeds the 3:1 ratio, the traffic at issue will be subject to the Plan's provisions concerning an out-of-balance traffic safeguard, described below in Section II.E.9, beginning at the next calendar month.
 - b. The *ISP-Bound Traffic Framework* will apply to traffic exchanged between two non-ILECs until Step 3.
 - c. Termination rates for ISP-bound traffic.
 - i. For Tracks 1 and 2, termination rate levels for ISP-bound traffic will be the applicable rates established in this Plan when rates for all terminating traffic are unified (*i.e.*, Step 3).
 - 1) If there is no interconnection agreement, the termination rate for ISP-bound traffic will be \$0.0007 per MOU at Step 1, and will be treated like any other terminating traffic beginning at Step 3.
 - 2) If a state had, through rule, order, or arbitration, (*i.e.*, other than a negotiated agreement) established a rate other than \$0.0007 per MOU for ISP-bound traffic, such traffic will be treated like any other terminating traffic at Step 3.
 - 3) If an existing interconnection agreement expires prior to Step 3, the termination rate for ISP-bound traffic will be \$0.0007 per MOU until Step 3, at which point it will be treated like any other terminating traffic.
 - ii. For Track 3 carriers,
 - 1) ISP-bound traffic remains subject to the Commission's *ISP-Bound Traffic Framework*.

¹² The *ISP-Bound Traffic Framework* is contained in the following: Order on Remand and Report and Order, *Implementation of the Local Competition Provisions in the Telecommunications Act of 1996; Intercarrier Compensation for ISP-Bound Traffic*, 16 FCC Rcd 9151 (2001) ("*ISP Remand Order*"), remanded, *WorldCom v. FCC*, 288 F.3d 429 (D.C. Cir. 2002); Order, *Petition of Core Communications, Inc. for Forbearance Under 47 U.S.C. § 160(c) from Application of the ISP Remand Order*, 19 FCC Rcd 20179 (2004).

- 2) The rate for ISP-bound traffic will be \$0.0005 per MOU at Step 4. This rate applies even where a state has established, through rule, order, or arbitration, a different rate.
 - d. Specific interconnection obligations for Track 2- and Track 3-originated ISP-bound traffic terminated by a Track 1 carrier are covered in the CRTC transport rules discussion above, in Section II.E.3.e.
 - e. The ISP-bound mirroring rule and Track 3 carriers.¹³ One of the following rules will apply with respect to Track 3 ILECs, as decided by the Commission.¹⁴
 - 1) Option 1: The ISP-bound mirroring rule is eliminated for Track 3 ILECs at Step 1 of the Plan.
 - 2) Option 2: Track 3 ILECs will be subject to the ISP-bound mirroring rule until Step 4 of the Plan.
 - f. Virtual NXX (*i.e.*, virtual FX) ISP-bound traffic will be treated like all other ISP-bound traffic under the Plan.
9. ***Special Safeguard for Out-of-Balance Traffic:*** Where traffic is out-of-balance, as defined below, and the terminating carrier for such out-of-balance traffic charges a higher reciprocal compensation rate than the originating carrier, special rules shall apply in order to reduce the likelihood that a carrier will attempt to take advantage of carrier charges that cannot be avoided and differences between carrier rates.
- a. *Out-of-balance traffic* is all Non-Access Traffic that exceeds a 3:1 termination to origination ratio between two carriers, regardless of whether it is ISP-bound traffic.
 - b. Reciprocal compensation charges for out-of-balance traffic (*i.e.*, that portion of the traffic *above* the 3:1 ratio) will operate as follows.¹⁵
 - i. For Track 1- or Track 2-originated out-of-balance traffic terminated by a Track 2 or Track 3 carrier, terminating transport charges will not apply to the out-of-balance traffic, and the termination charge will be the lower of:

¹³ *ISP Remand Order* at 9193-94 ¶ 89.

¹⁴ The parties supporting the Plan have not reached agreement on this issue and thus have agreed to present both options. Arguments and support for each of these options are contained in Appendix A.

¹⁵ For Track 1 to Track 1 out-of-balance traffic, no special safeguard is necessary because both carriers will be charging rates no higher than those specified in Section II.B.

- 1) the currently effective termination charge, or
 - 2) \$0.0007 per MOU.
- ii. For Track 3 originated Non-Access, non-ISP-bound traffic terminated by a Track 2 or Track 3 carrier, terminating transport charges will not apply to the out-of-balance traffic, and the termination charge will be the lower of:
 - 1) the currently effective termination charge, or
 - 2) \$0.0007 per MOU.

III. Interconnection Framework for Non-Access Traffic

Summary: A carrier must permit other carriers to physically interconnect at its Edges (defined below). Other locales for interconnection are permitted as provided for under Section 251(c)(2) of the Act and in any interconnection agreement or arbitration; however, the Plan creates an obligation for an interconnecting carrier to pay the terminating carrier for transport from the point of interconnection to the relevant Edge. The Plan sets forth the minimum technical requirements that a carrier providing such interconnection must make available. The rules here, unless otherwise specified, apply to interconnection for Non-Access Traffic, and not for traffic subject to access tariffs.

Carriers may connect directly or indirectly. Carriers providing transit on the first day of the Plan must continue to do so through the life of the Plan as outlined in Section III.D.

Section II.E sets forth the financial obligations relating to interconnection. A carrier generally is financially responsible for transporting its traffic from its network to a terminating carrier's Edge, as detailed further below.

Carriers are free to reach mutual agreement for the interconnection of their networks. Absent such mutual agreement, the default interconnection rules specified herein will apply.

A. General Interconnection Obligations

1. ***Obligation to Interconnect:*** A carrier must permit other carriers with the financial obligation for interconnection to physically interconnect at its Edge for the purpose of direct interconnection. The carrier is also obligated to provide physical interconnection to transit carriers for their provision of indirect interconnection.
 - a. A carrier will provide interconnection to another carrier, so long as the requesting carrier is the party whose network will be directly interconnected, or in the case of tandem transit service, indirectly interconnected with the providing carrier.
 - b. "Carrier" means any telecommunications carrier, as defined in 47 U.S.C. § 153(44), regardless of whether it offers telecommunications services on a retail basis, a wholesale basis or both.

- c. “Interconnection” refers to the linking of carrier networks for the exchange of traffic as specified in the Plan.
 - d. For purposes of interconnection as set forth in the Plan, each carrier, and each communications service provider¹⁶ served by a carrier, will:
 - i. collaborate to complete calls that originate or terminate on the PSTN and will not block or hinder the exchange of such traffic between interconnecting carriers;
 - ii. provide full portability of numbers assigned to the end users of a communications service provider; and
 - iii. in the case of a carrier, offer interconnection as set forth in this Plan to carriers that comply with these obligations. The Commission will adopt rules codifying these requirements.
 - e. *Direct or Indirect Interconnection:* The carrier with the financial obligation for interconnection decides whether it will interconnect through a direct interconnection arrangement or an indirect interconnection arrangement.
 - i. “Direct interconnection” refers to the physical linking of two networks for the exchange of traffic.
 - ii. “Indirect interconnection” refers to the use of a third party tandem transit service to interconnect two networks.
2. ***Interaction with Section 251(c)(2):*** If a carrier elects to physically interconnect its facilities with an ILEC’s network at a location other than the ILEC’s Edge or another location specified in the Plan by asserting its rights under Section 251(c)(2), the Plan’s default rules concerning the financial obligation for the transport of traffic will apply. *See* Section II.E. Moreover, a carrier asserting its right to interconnect under Section 251(c)(2) at a location other than the ILEC’s Edge or another location specified in the Plan is not relieved of its obligation to offer interconnection as set forth in the Interconnection Framework for Non-Access Traffic in Section III.

B. Establishment of Edges

- 1. An Edge refers to the location on a carrier’s network where it receives traffic for routing within its network and where it performs the termination function for traffic received from other carriers. A network location that satisfies each of the following requirements will be eligible for designation as an Edge:

¹⁶ A communications service provider (or “provider”) for purposes of the Plan is a carrier *or* a non-carrier that provides a service to an end user or another communications service provider from which traffic is exchanged, directly or indirectly, with the PSTN.

- a. The physical interconnection arrangements described below in Section III.C.1 are available at that network location;
- b. Direct and indirect interconnection are available at that network location;
- c. It provides the termination function for all types of traffic (access and Non-Access Traffic) directed to subscribers served by the network location;
- d. It provides number portability functionality when requested as required by Section 251(b)(2) and the FCC's rules, except where a rural LEC has petitioned for and been granted a suspension from the requirements of Section 251(b)(2) in accordance with Section 251(f)(2);
- e. It meets at least one of the following functional network location definitions:
 - i. **“End Office”**: A building location with a wireline carrier switch to which multiple unaffiliated telephone service subscribers' access lines are connected. End Offices provide dial tone to the subscriber, perform call origination and call termination functions, and establish line-to-line, line-to-trunk, and trunk-to-line connections for the transmission and routing of local and toll traffic. End Offices represent the last switch at which the interconnecting carrier can establish trunking for the purpose of exchanging traffic.
 - 1) End offices that have not been upgraded for equal access and receive equal access functionality from a centralized equal access tandem (CEA) will be treated as Edges for purposes of this Plan if they are capable of direct trunking arrangements with other carriers for the exchange of Non-Access Traffic. Where such end offices cannot provide such trunking arrangements, the CEA tandem will serve as the carrier's Edge, unless the carrier designates another location.
 - 2) An end office location served by a remote switching system will not be treated as an End Office under the Plan. Instead, the host end office that serves the remote end office will serve as the Edge for traffic terminating to these remote switching locations, provided the host end office otherwise meets all other applicable Edge requirements.
 - 3) End Offices must be listed in the LERG or any successor or alternate guide with the NPA-NXX Codes, and have an assigned Location Routing Number (LRN). End Offices that use SS-7 signaling must have an associated point code.
 - ii. **“Access Tandem”**: A building location with a carrier switch that establishes trunk-to-trunk connections between designated end office switches operated by the tandem owner and long distance service providers for the routing of interstate and intrastate interexchange traffic. Access tandems have point codes and are listed in the LERG or any successor or alternate guide with a

unique CLLI Code and the designated end office switches they serve for routing purposes.

- iii. **“POP”**: Building space owned or controlled by the carrier, its agent or designee that meets the requirements of either 1) or 2) as follows.
 - 1) Building space where a carrier has located transmission facilities used to virtually extend switching capacity or Trunking Media Gateway functionality from one LATA or serving area to another LATA or serving area. To qualify, the POP must be listed in the LERG or any successor or alternate guide with the NPA-NXX Codes and have an assigned LRN.
 - a) A carrier may associate only one POP per LATA for each remotely-deployed switch, except if this limitation would result in that carrier having only one Edge in a LATA, in which case the carrier may associate two POPs in that LATA with its remotely-deployed switch.
 - 2) In any study area where a carrier has elected to eliminate originating switched access charges, building space where an IXC has located transmission facilities and to which an ILEC is providing switched access services as of the date of adoption of the Commission order establishing this Plan.
 - a) Notwithstanding the above, in all study areas, even where a carrier has not elected to eliminate originating switched access charges, every IXC POP that otherwise meets the requirements of an Edge will qualify as an Edge where it performs the termination function (*i.e.*, terminating non-8YY nodal services). Where such an IXC POP does qualify as an Edge, it will be treated as a non-incumbent LEC for purposes of the interconnection and reciprocal compensation aspects of this Plan.
- iv. **“Trunking Media Gateway”**: A building location with a device or system that uses protocol conversion to convert time-division multiplexing (TDM) messages to packet messages and packet messages to TDM messages. A Trunking Media Gateway allows communications between a TDM network and an IP network. A Trunking Media Gateway must meet the following criteria:
 - 1) It must provide access to multiple unaffiliated telephone service subscribers;
 - 2) It must permit unaffiliated carriers to establish TDM trunks between it and their switches; and
 - 3) It is listed in the LERG or any successor or alternate guide with the NPA-NXX Codes and a LRN, or serves as an IXC ingress/egress point.

- v. “**MSC**”: A building location with a carrier switch to which multiple unaffiliated CMRS (including paging) subscribers are provided network connectivity via mobile base stations. The MSC is the last switch at which another carrier can establish trunking for the purpose of exchanging traffic with CMRS subscribers. MSCs, other than those used solely to provide one-way paging services, are listed in the LERG or any successor or alternate guide with the NPA-NXX Codes, and a LRN assigned to them.

2. Designation of Edges:

- a. Any location that meets the requirements above is eligible to be designated an Edge, and a carrier may choose which of its eligible locations will be designated as Edges. A carrier must designate at least one Edge in each LATA in which it receives traffic from other carriers.
- b. Carriers must identify their Edges by LATA as of [date to be determined], and will associate relevant call routing information with the appropriate Edge, designating which customers are served by a given Edge. A carrier must provide reasonable advance notice of relocation, elimination, or addition of Edges or changes in routing information that occur after the beginning of Step 1 of the Plan.
 - i. Relevant call routing information includes, for example, NPA-NXX, LRN, CIC, CAC, etc. Carriers must route traffic to the appropriate Edge designated by the terminating carrier.
 - ii. Existing methods may be employed to designate which customers are served by a given Edge, such as the Local Number Portability Database, the LERG, and the Industry Toll-Free Database.
- c. A carrier may designate another carrier’s facilities within the LATA as its Edge, with the agreement of the owner of those facilities and so long as the other carrier’s facilities satisfy the Edge criteria and these Edge designation rules.
- d. Specific Edge Designation Rules for Track 1:
 - i. A Track 1 carrier may designate an eligible access tandem location as the Edge for the Track 1 carrier’s end offices that subtend that access tandem. The carrier *cannot* designate one of its End Offices as an Edge if that End Office subtends the carrier’s own access tandem.
 - ii. A Track 1 carrier may designate an eligible Trunking Media Gateway location, or a POP location that extends the trunking media gateway functionality, as its Edge for traffic terminating to its end offices that subtend its access tandem, in lieu of that access tandem itself.

- iii. A Track 1 carrier may designate an eligible End Office, POP, or Trunking Media Gateway location as an Edge when the location subtends another carrier's access tandem.
- iv. A CMRS carrier may designate an eligible MSC as an Edge in the LATA in which the MSC is located.
- v. A Track 1 carrier may designate an eligible IXC POP location as its Edge.
- e. Specific Edge Designation Rules for Tracks 2 and 3:
 - i. Track 2 and 3 carriers may declare *any* eligible End Office to be an Edge, even if the End Office subtends the carrier's own access tandem.
 - ii. Track 2 and 3 carriers may designate an eligible Trunking Media Gateway location that performs end office functionality, or a POP location that extends this trunking media gateway functionality, to be an Edge.
- f. With respect to Alaska, which is the only State without a LATA, the obligation will be one of the following, as resolved by the Commission in adopting the Plan:
 - i. Option 1: Each carrier must provide at least one Edge in each local calling area in which it exchanges traffic with other carriers. Unless otherwise specified, in Alaska, the term "LATA" shall be deemed throughout this Plan to refer to a local calling area.
 - ii. Option 2: Until such time as there is a LEC-owned tandem, each carrier must provide at least one Edge in each local calling area in which it exchanges traffic with other carriers. Unless otherwise specified, in Alaska, and until such time as there is a LEC-owned tandem, the term "LATA" shall be deemed throughout this Plan to refer to a local calling area.

C. Direct Physical Interconnection Requirements

- 1. **General Options for Physical Interconnection:** Direct interconnection at the Edge, including interconnection for the purposes of providing indirect interconnection via transit service, must be provisioned through the requesting carrier's choice of any of the following:
 - a. **Fiber Optic Cable Termination** (*i.e.*, the termination of fiber optic strands to a digital cross-connect system (DCS) or comparable device establishing optical continuity with the other carrier) provided that the two carriers collectively exchange volumes of traffic that require at least 673 voice grade trunks (*i.e.*, one more than a DS-3).
 - i. A requesting carrier is not required to obtain collocation to implement Fiber Optic Cable Termination.

- b. **Electrical Cable Termination**, provided that the two carriers collectively exchange volumes of traffic that do not require more than 672 voice grade trunks.
 - i. A requesting carrier is not required to obtain collocation to implement Electrical Cable Termination.
- c. **Additional Options:** Each Edge or qualifying tandem owner shall offer, as an additional option, at least two of the following four methods of physical network interconnection:
 - i. physical collocation or virtual collocation;
 - ii. meet point interconnection arrangement;
 - 1) A meet point is the interconnection point between the two networks at which one carrier's responsibility for providing the facility to connect the networks begins and the other carrier's responsibility ends.
 - 2) A "meet point interconnection arrangement" is a physical interconnection arrangement between two carriers where each carrier builds and maintains its transport facility to a meet point. A meet point interconnection arrangement typically will be a fiber-based arrangement, or if fiber is not available, it should be the same type of facility used for the ILEC-to-ILEC meet point arrangement in the exchange area. Meet point interconnection arrangements are often referred to as "mid-span meet points."
 - iii. leased transport provided by the Edge owner;
 - iv. leased transport provided by an unaffiliated carrier.
- 2. Notwithstanding the foregoing, an ILEC, other than a CRTC whose exemption under Section 251(f)(1) has not been terminated with respect to collocation obligations, must always make available interconnection through physical and virtual collocation without prejudice to the requesting carrier's right to select another type of interconnection.
- 3. In addition to the foregoing, for any study area in which an ILEC elects Incentive Regulation (discussed below in Section VII) and receives a bona fide request for interconnection, that ILEC must offer expanded interconnection pursuant to its interstate access tariff. Such expanded interconnection must provide collocation of all elements and methods enumerated under Section 251(c)(6) and 47 C.F.R. §§ 51.321 & 51.323 with cost-based cross connects from the collocator to the ILEC facilities (and no entrance facility charges for such cross connects).
- 4. A CRTC must always make available interconnection at an existing meet point interconnection arrangement located on its interoffice facilities at or near the boundary of each exchange area.

- a. If interconnection at an existing meet point interconnection arrangement is not available for technical, operational, or legal reasons, the CRTC shall establish a new meet point interconnection arrangement no farther than two miles from any existing meet point interconnection arrangement.
 - b. At Step 1, a CRTC shall publish the location of its existing meet points to facilitate meet-point interconnection. The CRTC must provide reasonable advance notice of relocation, elimination, or addition of meet points that will or do occur after day 1 of the Plan.
5. The Edge or qualifying tandem owner shall permit an interconnecting carrier to use the interconnecting carrier's own (or third-party provided) transport facility used for interconnection to transport switched access and special access traffic.¹⁷ When such facility is interconnected with the terminating Edge or qualifying tandem owner for the purpose of exchanging at least some access traffic, the connection of that facility shall be treated in the same manner as collocated facilities when applying access tariffs (*e.g.*, entrance facility charges or other restrictions would not apply). If the facility is used for switched access (prior to achieving unified termination rates), special access, or UNE traffic, capacity used for such functions would be subject to collocation (in addition to interconnection) where permitted under the applicable terminating carrier tariff or interconnection agreement
6. When two carriers exchange traffic with each other over a direct interconnection arrangement, neither shall charge the other for multiplexing or de-multiplexing of interconnection transport trunks used for their exchange of Non-Access Traffic.
 - a. If one carrier uses a portion of the trunk capacity for other purposes, such as for interconnecting with the other carrier's Edge for switched access or access to a special access channel termination, that other carrier may charge the interconnecting carrier a pro-rata share of a multiplexing or de-multiplexing charge, as appropriate, based on the portion of the trunk capacity used for purposes other than for interconnection transport.
 - b. The requirements detailed in Section III.C.4 above apply notwithstanding these multiplexing provisions.
7. To the extent that traffic (one way in the case of one-way trunking or two way in the case of two-way trunking) between two particular end offices or qualifying tandems is transported via a tandem switched direct interconnection arrangement and exceeds a busy-hour threshold of 2 DS-1s measured in a time-consistent busy hour each month for three consecutive months (based on Neal-Wilkinson tables, 1 percent blockage, low day-to-day variation with a peakedness factor of 1.0), the carriers will segregate that traffic onto a dedicated trunk group between the two Edges.

¹⁷ See Sections II.B.1.a.vi and II.B.2.c.iii for the rates applicable to such transport.

D. Tandem Transit Service

Summary: The Plan provides that a carrier may satisfy its financial transport obligation by using a third party's Tandem Transit Service. The Plan sets forth detailed rules for the procurement and provision of Tandem Transit Service and addresses such issues as tandem exhaust. Under the Plan, ILECs that provided tandem transit on the eve of the Plan must continue to do so, pursuant to the rules set forth herein. Competitive Tandem Transit Providers are also covered by the rules.

1. Definitions

a. Tandem Transit Service

- i. Tandem Transit Service is a switched transport service provided by a third-party carrier using its tandem switch to effectuate indirect interconnection between two carriers within a LATA (or in Alaska, within a local calling area).
- ii. Tandem Transit Service includes both tandem switching and tandem switched transport (also called common transport), or the functional equivalent, between the transit tandem location and a terminating carrier's Edge.
- iii. Where the terminating carrier is an ILEC and the Tandem Transit Provider interconnects with the ILEC at a meet point, Tandem Transit Service stops at that meet point.

b. Ordering Carrier

- i. The carrier that has a financial obligation for transport under the Plan is an Ordering Carrier when it uses Tandem Transit Service to satisfy its transport obligation.
- ii. The Ordering Carrier is not necessarily the originating carrier. For example, if the originating carrier is a CRTC entitled to the Rural Transport Rule, the terminating carrier may be the Ordering Carrier.

c. Tandem Transit Provider

- i. The Tandem Transit Provider is the carrier that provides the Tandem Transit Service to indirectly interconnect the Ordering Carrier with the Non-Ordering Carrier.
- ii. The Tandem Transit Provider may be an ILEC or a competitive carrier.

d. Non-Ordering Carrier

- i. The Non-Ordering Carrier is the carrier that is indirectly connected to the Ordering Carrier through the Tandem Transit Provider.

2. *Scope of the Plan's Tandem Transit Service rules; savings clauses*

- a. All ILECs that are providing Tandem Transit Service at Step 0 must continue providing that service during the term of the Plan.
- b. These rules apply to all tandem transit services offered by any carrier during the term of the Plan, except that pre-existing tandem transit arrangements used by Track 3 ILECs to exchange EAS traffic with other ILECs in mandatory local calling area and optional calling area arrangements will remain unchanged and will not be subject to the Tandem Transit Service rules.
- c. As with other aspects of this Plan, these rules are default rules only. Carriers may negotiate other (including "premium") transit arrangements. The incremental revenue the provider earns from the provision of such arrangements shall not be included in any calculation to determine its compliance with the nationwide transit rate cap discussed below.

3. *Obligations of carriers under the Plan* — The Plan provides that Tandem Transit Service must be provided in accordance with the following terms and conditions.

- a. The *Ordering Carrier* has the following rights and obligations:
 - i. It has the right to select the Tandem Transit Provider.
 - ii. It bears the financial obligation for transport to deliver originating Tandem Transit Service traffic to the point that the Tandem Transit Provider has designated to accept such traffic.
 - iii. It must pay Tandem Transit Service fees to the Tandem Transit Provider.
 - iv. It must ensure that the trunk groups between the Ordering Carrier and the Tandem Transit Provider are not chronically or persistently underutilized.
 - v. The Ordering Carrier may not avoid any of its obligations with respect to the Non-Ordering Carrier, including payment of applicable intercarrier charges and negotiation of an interconnection agreement, as a result of using Tandem Transit Service for interconnection.
- b. The *Tandem Transit Provider* has the following obligations:
 - i. It must provide Tandem Transit Service at rates, terms, and conditions that are just, reasonable, and not unreasonably discriminatory; it must comply with all the rules set forth herein; and, where and when applicable, it must provide Tandem Transit Service at the rates set forth below in Section III.D.4.
 - ii. It must collect the fees for Tandem Transit Service from the Ordering Carrier.

- iii. It must deliver traffic from its transit tandem to the Non-Ordering Carrier's Edge.
- iv. It must efficiently manage its tandem switching resources.
- v. The Tandem Transit Provider is not obligated to:
 - 1) serve as the arbiter of disputes between the Ordering and Non-Ordering Carriers, except to the extent that the dispute is caused by the functionalities provided by the Tandem Transit Provider (such as the Tandem Transit Provider's provision of call-detail records);
 - 2) bear the financial responsibility for intercarrier compensation charges related to the traffic it delivers in connection with its provision of Tandem Transit Service; or
 - 3) bill the Ordering Carrier or Non-Ordering Carrier for intercarrier compensation charges that one charges the other, or collect such charges on either carrier's behalf.
- c. Section V sets forth the obligations of the Ordering and Non-Ordering Carriers and the Tandem Transit provider with respect to the exchange of call-detail records.

4. *Rates for Tandem Transit Service*

- a. From the start of the Plan until the Plan requires a change in the rates as set forth below, providers already imposing charges for tandem transit service must continue to charge rates no higher than the rates in effect at Step 0. To the extent that a provider is not charging another carrier for tandem transit service at Step 0, it may begin charging that carrier rates no higher than the rates it is imposing on other carriers in like circumstances.
 - i. These rules, however, do not apply to Track 3 carriers with respect to the types of traffic discussed in Section III.D.2.b and Section III.D.7.d.
- b. Beginning at Step 2, the Tandem Transit Service rate for reciprocal compensation traffic will be subject to commercial agreement consistent with the terms of this Plan and will be capped at \$0.0025 per MOU.
 - i. Once jointly provided tandem switched transport service for access traffic has been converted to Tandem Transit Service, as set forth in Section III.D.7, below, Tandem Transit Service for such traffic will also be subject to the \$0.0025 rate cap.
 - ii. The rate cap will increase annually by inflation starting at Step 5.

- c. At the discretion of the Tandem Transit Provider, the capped rate may be disaggregated to allow for a per-MOU structure for the tandem switching function and a per-MOU-per-mile structure for the common transport function. For each study area, and with respect to Tandem Transit Service subject to rate caps, the rate under this alternative structure may not produce total tandem transit revenue higher than the revenue that would have been generated under the total capped rate.
 - d. Zone pricing is not permitted.
 - e. Beginning at Step 4, the capped rate will be lifted for Tandem Transit Service provided entirely within an MSA. The cap will not be lifted for other Tandem Transit Service.
 - i. The Commission's Step 4 proceeding will consider what competitive triggers should serve to eliminate the rate cap for Tandem Transit Service provided between two different MSAs.
5. ***Traffic Volume Limitations*** — Tandem Transit Service is subject to the following traffic volume limitations.
- a. An Ordering Carrier may order Tandem Transit Service from a Tandem Transit Provider for up to 400,000 minutes of use (MOU) per month between two switch points without restriction.
 - i. Such switch points include, for example, ILEC end office switches, CLEC end office switches, CLEC tandem switches, CMRS MSCs, and IXC POPs.
 - b. If an Ordering Carrier is responsible (as an Ordering Carrier) for more than an average of 400,000 MOU of Tandem Transit Service between two switch points for three consecutive months, the following conditions apply:
 - i. The Tandem Transit Provider may give notice to the Ordering Carrier that it has exceeded the Tandem Transit Service traffic threshold. Such notice triggers a 3-month grace period.
 - ii. Following the grace period, for each month that the Ordering Carrier exceeds the 400,000 MOU threshold, the Tandem Transit Provider may assess a higher rate for all of the Ordering Carrier's Tandem Transit Service MOU between those two switch points. The higher rate may not exceed two times the then-applicable rate for regular Tandem Transit Service.
 - iii. If the Ordering Carrier does not exceed the 400,000 MOU threshold for six consecutive months at any time after the notice was provided, the notice expires. No premium rate for Tandem Transit Service applies thereafter unless a new notice is issued and the new grace period expires.

- iv. An Ordering Carrier that exceeds the 400,000 MOU threshold shall not be limited to “direct final trunk group” interconnection, but may continue to rely on Tandem Transit Service to route overflow traffic that exceeds the capacity of its established direct interconnection facilities.
6. ***Congestion and Exhaust*** — Tandem Transit Providers may constrain the use of Tandem Transit Service in situations of tandem congestion or exhaust, as identified using standard industry congestion-relief measures.
- a. Providers are encouraged to work cooperatively to reach mutually agreeable solutions to relieve tandem congestion or exhaust.
 - b. In cases of port exhaust or processing capacity exhaust that occur despite efficient utilization as described above, the Tandem Transit Provider may constrain the use of Tandem Transit Service. However, the Tandem Transit Provider must adhere to the following principles:
 - i. The Tandem Transit provider must develop criteria for identification of Tandem Transit Service that is eligible for migration off the tandem. The criteria must:
 - 1) be uniformly applied in a nondiscriminatory manner;
 - 2) identify eligible traffic on a switch point-to-switch point basis;
 - 3) include consideration of a carrier’s access to an alternative interconnection arrangement, either direct or indirect; and
 - 4) in the case of indirectly interconnected CRTC’s, include consideration of whether an economically viable alternative arrangement is available. Traffic between two indirectly interconnected CRTC’s generally should be migrated only after migration of traffic between two indirectly interconnected Track 1 carriers, or traffic between a Track 1 carrier and a Track 2 carrier.
 - ii. The Tandem Transit Provider must make public its criteria for identifying Tandem Transit Service traffic to be migrated off the tandem.
 - iii. The Tandem Transit Provider must provide reasonable advance notice to the Ordering and Non-Ordering Carriers before discontinuing the provision of all or a portion of the affected Tandem Transit Service so that those carriers have an opportunity to establish alternative interconnection arrangements.
7. ***Transition for access traffic***
- a. Non-access transit will be immediately subject to the Plan’s terms and conditions.

- b. When provided in connection with jointly provided *originating access*, tandem switched transport — *i.e.* tandem switching and common transport — will be deemed Tandem Transit Service and become subject to the Plan at Step 4 for Track 1 and Track 2 tandem owners that have elected to eliminate originating switched access charges.
 - i. When a Track 1 or Track 2 carrier has not elected to eliminate originating switched access charges, tandem switched transport will not become Tandem Transit Service, but will remain subject to access tariffs.
- c. When provided in connection with jointly provided *terminating access*, tandem switched transport will be deemed Tandem Transit Service and become subject to the Plan at Step 3 for all Track 1 and Track 2 tandem owners.
- d. Tandem owners in Track 3 are not required to convert jointly provided tandem switched transport for access traffic to the Plan's Tandem Transit Service structure.

IV. Process for Obtaining an Interconnection Agreement

Summary: The Plan articulates mechanisms for establishing both interim interconnection arrangements and formal interconnection agreements for the exchange of Non-Access Traffic, to ensure that all providers have a ready means of enforcing the Plan's provisions as well as other details of their interconnection. The provisions set forth here are consistent with and build from the principles set forth by the Commission in its *T-Mobile Order*.¹⁸ The rules are designed to ensure that each carrier — regardless of its type or classification — can obtain an agreement setting forth the terms of interconnection and reciprocal compensation, and that each carrier will have a clearly articulated right, if it so chooses, to charge for use of its network when terminating Non-Access Traffic for another carrier pursuant to the Intercarrier Compensation default rules set forth in Section II.E.5.b above.

A. Establishing Interim Interconnection

- 1. In the absence of an interconnection agreement, any telecommunications carrier receiving another carrier's Non-Access Traffic through indirect interconnection may establish an interim interconnection arrangement with an originating carrier for the termination of its Non-Access Traffic through the process below. Any other rights and obligations between the carriers may be established only pursuant to a formal agreement as specified in Section IV.B below:

¹⁸ Declaratory Ruling and Report and Order, *Developing a Unified Intercarrier Compensation Regime, T-Mobile et al. Petition for Declaratory Ruling Regarding Incumbent LEC Wireless Termination Tariffs*, 20 FCC Rcd 4855 (2005).

- a. The carrier shall send a notification letter informing the originating carrier that:
 - i. The carrier has terminated the originating carrier's Non-Access Traffic over the previous 30 day period;
 - ii. The two carriers lack an interconnection agreement covering such traffic; and
 - iii. Beginning 15 days from date of the notification letter, the carrier will begin billing applicable interim reciprocal compensation charges as specified in Section II.E.5.b of this Plan for the termination of the originating carrier's Non-Access Traffic.
2. Prior to the effective date of the interim arrangement (*i.e.*, 15 days from the date of the notification letter), neither carrier will owe compensation for termination. To the extent compensation was in dispute prior to the implementation of these rules, such dispute will be settled by the appropriate regulatory commission or court in accordance with prevailing law.
3. 15 days following the date of the notification letter, both carriers may commence to bill their applicable interim reciprocal compensation charges for the termination of Non-Access Traffic.
4. The interim interconnection arrangement will remain in place until a formal interconnection agreement between the two carriers becomes effective.
5. These interim compensation rules do not apply when the parties had an interconnection agreement that has expired. In that case, the other terms of the Plan apply.

B. Establishing a Formal Interconnection Agreement

1. In the absence of a formal interconnection agreement, any telecommunications carrier may use the following process to request interconnection with another carrier, regardless of type (and notwithstanding any exemption that might apply under Section 251), for the exchange of Non-Access Traffic:
 - a. The carrier must follow the negotiation and arbitration procedures set forth in Section 252 of the Act; and
 - b. Any carrier receiving such a request must negotiate in good faith and must, if requested, submit to arbitration by a State commission.
2. Any carrier requesting or submitting to negotiations of a formal interconnection agreement pursuant to this provision agrees that the terms of this Plan will serve as lawful, presumptively reasonable default rules.

V. Comprehensive Solution for Phantom Traffic

Summary: Phantom traffic consists of calls that lack sufficient signaling information to enable intermediate and terminating providers to bill properly for intercarrier compensation. Phantom traffic hinders the creation of accurate billing records, conceals the identity of parties responsible for payment, and hampers the appropriate rating of calls. To address these problems, and with certain exceptions discussed below, the Plan requires the delivery of accurate telephone number signaling information to both intermediate and terminating providers to ensure that traffic can be properly identified and classified for purposes of the intercarrier compensation provisions of the Plan. It also offers a uniform framework for the generation and exchange of call-detail records. Finally, the Plan sets forth a proposed enforcement framework with serious consequences for providers that fail to comply with the phantom traffic rules.

A. Call Signaling Rules

1. *Application of Rules to All Traffic* — The Plan's call signaling rules apply to all traffic originating on the PSTN, transiting the PSTN, or destined for the PSTN from other networks.
2. *Obligation to Transmit Signaling Information* — With the exceptions set forth in Section V.B below, the Plan requires *every* communications service provider to transmit accurate telephone number signaling information for use by intermediate and terminating providers:
 - a. Every *originating provider* must transmit in its signaling the telephone number assigned to the calling party. This rule will ensure that accurate information is included in the originating signaling stream, facilitating identification of the proper jurisdiction of traffic and, in some cases, the provider responsible for payment.
 - i. An originating provider using SS7 signaling protocol must transmit the telephone number assigned to the calling party in either the Calling Party Number (CPN) or Charge Number (CN) parameters.
 - ii. An originating provider using MF signaling protocol must transmit telephone number signaling information in the Automatic Number Identification (ANI) parameter.
 - iii. An originating provider using MF signaling protocol for Feature Group D traffic must also transmit ANI II information (used to identify the type of originating station for a call).
 - b. Every *intermediate provider* must transmit without alteration the telephone number information contained in the ANI, ANI II, CPN, CN, and Jurisdiction Information Parameter (JIP) fields that it receives from another provider. This rule will ensure that no provider removes or changes the signaling information necessary for identification of calls and creation of proper billing records.

- c. When a provider's switch is equipped with SS7 signaling protocol capability, it must use SS7 protocol when interconnecting directly with another provider's SS7-capable switch.
 - i. This rule also will apply to SS7 successor technologies.
- d. Every provider that has a role in completing traffic, including a provider with technology-related network limitations described in Section V.B below, must work cooperatively with other involved providers to resolve within 90 days any disputes concerning alleged violations of the call signaling rules. Such cooperation must continue until resolution of any enforcement action brought pursuant to the rules discussed below in Section V.C.

B. Technological Exceptions to the Call Signaling Rules

- 1. The Plan does not require communications service providers to deploy new technology or modified networks in order to comply with the call signaling rules. Instead, the Plan sets forth exceptions designed to protect providers that are unable to comply because of legitimate technological limitations in their networks.
- 2. The call signaling rules relating to *originating providers* shall not apply to the following types of traffic:
 - a. Traffic described in 47 C.F.R. § 64.1601(d), for which providers are exempt already from supplying Calling Party Number information.
 - b. Traffic that is originated from an end-user service that does not use a North American Numbering Plan telephone number.
 - c. Operator-assisted dialed traffic for which the originating provider uses an operator service platform based on MF signaling.
 - d. Non-Feature Group D traffic that is originated from:
 - i. end users served by a private branch exchange (or similar customer-provided equipment) that is directly connected to the originating provider's switch via a dedicated digital service (for example, a DS-1 service);
 - ii. end users served by a private branch exchange, Centrex, or similar equipment whereby calls are placed from one end user-location over facilities directly connected to another such location, when the equipment used lacks the capability to forward the calling end-user's telephone number;
 - iii. a switch using MF signaling protocol; or
 - iv. a switch that is not capable of signaling the originating end-user's telephone number in the CN parameter due to the design of the switch as generally offered to the industry by the switch vendor.

3. The call signaling rules relating to *intermediate providers* shall not apply in the following situations:
 - a. when the intermediate provider cannot transmit telephone number information because it uses SS7 signaling protocol and receives Feature Group D traffic from a provider using MF signaling protocol that does not contain ANI and ANI II parameters in the MF signal.
 - b. when the intermediate provider cannot transmit telephone number information (in the ANI parameter) because it uses MF signaling and receives traffic from a provider using SS7 signaling protocol that does not contain CPN and/or CN and OLI parameters in the SS7 signal.
 - c. when the intermediate provider receives traffic with JIP information but cannot transmit that information because it uses MF signaling.
 - d. when the intermediate provider receives traffic with JIP information but cannot transmit that information to another provider because the intermediate provider is interconnected with the other provider through ISDN PRI.
 - e. when the intermediate provider is forwarding operator-assisted dialed traffic, in situations where the intermediate provider supplies operator services to the originating provider and uses an operator service platform based on MF signaling.
4. A provider may seek additional exceptions to the call signaling rules by showing that legitimate technological limitations in its network make compliance with the rules impossible.
 - a. A provider claiming such an exception must provide notice of its claim on its website. The notice must include the provider's contact information and a description of the relevant technological limitations in its network.¹⁹
 - b. A provider seeking such an exception bears the burden of supporting its claims with specific evidence.
 - c. A provider must assist with the identification of traffic for which it claims a technology-related network limitation when an intermediate or terminating provider requests such assistance.²⁰

¹⁹ The parties intend that additional notice procedures will be developed.

²⁰ The industry group developing the uniform process for exchanging call-detail records (described below in Section V.D) will identify and resolve any CPNI-related issues that may affect the process for identifying traffic.

C. Enforcement of the Call Signaling Rules

1. All Plan participants agree to submit to the following mechanism to enforce the call signaling rules. Plan participants agree to support and advocate Commission involvement to the extent necessary to effectuate this enforcement mechanism.
2. Any provider that is unable to bill accurately for intercarrier compensation because another provider has violated the call signaling rules (whether directly or through complicity with a customer) may bring an enforcement action in accordance with the Commission's rules. These call signaling rules do not, however, address traffic that contains correct signaling information, even if the providers involved dispute the appropriate intercarrier compensation rate applicable to the traffic.
3. Plan participants urge the Commission to establish an expedited process to review enforcement actions for violations of the call signaling rules.
 - a. Such a process should include reasonable procedures for the discovery of facts, rebuttal of claims, and assertion of defenses or counterclaims.
 - b. The Commission should add disputes about call signaling to the list of proceedings that merit inclusion in the Accelerated Docket; such a classification would ensure that Commission decisions would be issued within 60 days after the filing of a complaint.
 - c. Plan participants agree that the Commission should vigorously enforce the call signaling rules in such proceedings.
4. Plan participants agree that the following remedies should be available for violations of the call signaling rules. However, intermediate providers should *not* be required to block traffic from providers who violate the rules.
 - a. The Commission should exercise its authority to assess forfeitures for each violation of the call signaling rules, taking into account the willfulness and recurrence of a provider's violations.
 - b. The Commission may also consider awarding damages to any party aggrieved by a violation of the call signaling rules.
 - c. Any provider that chronically violates the call signaling rules should be subject to special interconnection obligations.
 - i. If interconnected indirectly with terminating providers, chronic violators must establish direct interconnection arrangements with those terminating providers.
 - ii. Plan participants agree that the Commission should establish a procedure to determine whether a provider qualifies as a chronic violator.

D. Uniform Process for the Generation and Exchange of Call-Detail Records

1. The Plan offers a procedure for establishing uniform rules for the generation and exchange of call-detail records for traffic that is not covered by the Multiple Exchange Carrier Access Billing (MECAB) process.²¹ Exchange of call-detail records will facilitate the reliable billing of intercarrier compensation.
2. The Plan proposes an industry-driven framework with a Commission-imposed deadline, providing the industry with an opportunity to balance the various interests that must be considered in designing the new process.
3. The Plan provides that an industry proposal regarding creation and exchange of call-detail records will be filed with the Commission within sixty days after the filing of the comprehensive Plan. That industry proposal will contain rules concerning:
 - a. when and how providers must exchange call-detail records;
 - b. the types of information that must be included in those records;
 - c. the format that providers should use for call-detail records; and
 - d. an interim process for exchange of call-detail information (described in Section V.E.2.c below), to be used until the uniform process can be implemented fully.
4. Plan participants agree that the following elements should be included in the industry solution.
 - a. Providers must have a reasonable transition period to modify their systems — including AMA recording and call processing — before being required to implement the uniform process for call-detail records. However, implementation should begin at Step 1 whenever possible.
 - b. A tandem transit provider must supply call-detail records to any terminating provider — including intermediate tandem transit providers — to which it hands off traffic directly.
 - c. A tandem transit provider must supply call-detail records to terminating providers at no additional charge, regardless of whether the terminating provider is the Ordering Carrier or Non-Ordering Carrier for Tandem Transit Service. *See* Section III.D.1 for definitions of Ordering Carrier, Non-Ordering Carrier, and Tandem Transit Service.

²¹ The MECAB process governs the provision of call-detail information for jointly provided switched access traffic (*i.e.*, traffic exchanged between IXC's and multiple local exchange carriers).

- d. An originating provider must supply call-detail records at no additional charge to the tandem transit provider to which it routes traffic if the tandem transit provider requires such records to satisfy its obligations to exchange call-detail records with terminating providers.
- e. The records exchange process as described in the MECAB industry document shall apply to all LECs when they jointly provide for the origination or termination of IXC traffic.
- f. Call-detail records should be formatted according to the Exchange Message Interface (EMI) industry standards.
 - i. In some cases, a terminating provider will not need call-detail records in EMI format for billing purposes (for example, when in a bill and keep arrangement). The industry group creating the uniform process should consider whether alternatives to EMI-formatted call-detail records, such as SS7 call-detail records, would be appropriate in those cases.
- g. Call-detail records should contain information terminating providers will need to bill other providers for the termination of their traffic. They should include, for example:
 - i. information to identify the provider delivering traffic to a tandem transit provider, for example, the Carrier Identification Code (CIC) or the Operating Company Number (OCN);
 - ii. information revealing the jurisdiction of the call; and
 - iii. call duration.

E. Interim Phantom Traffic Solution

1. Adoption of the Plan and issuance of the Commission orders that the Plan proposes will resolve many phantom traffic issues by reducing the importance of the jurisdictional nature of traffic and establishing comprehensive rules for the exchange of traffic. In the interim, however, the coalition of parties supporting the Plan have agreed on a phantom traffic solution that will remain in effect until the comprehensive Plan and the requisite Commission orders have been adopted. This interim solution is a compromise and is contingent on coalition members' continued support for the Plan as a whole.
2. After the industry proposal for creation and exchange of call-detail records has been filed with the Commission,²² the coalition supporting the Plan will advocate for the

²² As mentioned above in Section V.D.3.d, that filing will include a proposal setting out an interim process for creation and exchange of call-detail information. The elements of that interim process are discussed below.

immediate release of a Commission order addressing phantom traffic during the interim period before entry of an order adopting comprehensive intercarrier compensation reform. The coalition will request that this interim order:

- a. immediately implement the proposals discussed above concerning call signaling and enforcement;
- b. confirm that the originating provider is responsible for paying the terminating provider applicable intercarrier charges, if any, when traffic is delivered through an indirect interconnection arrangement; and
- c. establish an interim process for the creation and exchange of call-detail records for traffic not covered by the MECAB process.²³ Under this interim process:
 - i. Originating and intermediate providers will be required to supply information such as the calling and called telephone numbers and, in the case of a tandem transit provider, the identity of the provider that sent the traffic to the tandem transit provider.
 - ii. This call-detail information may be provided in report format or, if the provider is capable of generating records during the interim period, in call-detail records.
 - iii. An originating provider will supply call-detail information in accordance with these interim procedures at no additional charge for the traffic that it routes to a tandem transit provider when the tandem transit provider requires such call-detail information to satisfy its obligations to create and exchange call-detail information with terminating providers.
 - iv. A tandem transit provider will supply call-detail information in accordance with these interim procedures to terminating providers — including intermediate tandem transit providers — that receive tandem transit traffic directly from the tandem transit provider.
 - v. Once an interim order on phantom traffic has been issued and until a final order on complete intercarrier compensation reform has been issued, each originating provider sending traffic via a tandem transit service will be required to compensate the tandem transit provider \$0.0025 per record when the tandem transit provider supplies call-detail records to terminating providers. This rule is subject to the following limitations:
 - 1) In those cases where a tandem transit provider currently provides, at no additional charge, call-detail records that comply with the standards set

²³ Information recorded and provided in call-detail records during the interim period will be based upon the rules for determining jurisdiction that are in effect during the interim period.

forth in the *uniform process* discussed above in Section V.D, the tandem transit provider must continue to provide those records at no charge pending intercarrier compensation reform.

- 2) When a tandem transit provider supplies call-detail information in accordance with the *interim process*, and supplies that information in reports instead of in call-detail records, the following rules apply:
 - a) If such reports currently are provided at no charge, then the reports will continue to be provided at no charge.
 - b) If such reports currently are provided at a charge, then the reports will continue to be provided at the same charge.
 - c) If such reports currently are not provided, then such reports will be provided at a negotiated rate not to exceed a charge equivalent to \$0.0015 per record.
- vi. The coalition of companies supporting this Plan will identify the specific call-detail information that will be exchanged, when the call-detail information will be exchanged, and the format in which the information will be provided.

VI. Other Mechanisms for Recovery of Interstate and Intrastate Revenues

Summary: The Plan creates the Restructure Mechanism, a source of recovery designed to replace most of the intercarrier revenues lost by carriers, to the extent that such revenues are not recovered through increased SLC rates or restructured intercarrier charges, as discussed above in Sections II.B and II.C. The Plan also creates an Early Adopter Fund for States that have reduced intrastate access charges through explicit State funds by the time the Plan is adopted. In addition, the Plan makes changes to a number of existing universal service mechanisms,²⁴ including the rural high-cost-loop support mechanism and the safety-valve support mechanism.²⁵

²⁴ The Missoula Plan supporters are committing resources to work with State Commissioners to evaluate how Plan mechanisms involving acquisitions can be used to encourage carriers to invest in rural areas. To the extent that the Missoula Plan supporters and the State Commissioners reach agreement on any of these issues within ninety (90) days of the filing of the Plan at the FCC, the Missoula Plan supporters will file the agreement as an amendment to the Plan for the FCC's consideration, and Missoula Plan supporters and the relevant State Commissions shall support the entire Plan as amended.

In addition, the Missoula Plan supporters are committing resources to work with State Commissioners to (a) evaluate how other mechanisms, such as the Universal Service Fund, may be used to encourage carriers to invest in rural areas and (b) evaluate the feasibility of implementing various options, given their effect on the size of support funding. To the extent that the Missoula Plan supporters and the State Commissioners reach agreement on any of these issues prior to February 1, 2007, the Missoula Plan supporters will file the agreement as an